

**jt4590@protonmail.com**

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**From:** ThorfinThunder | GoldGrenade <jt4590@protonmail.com>  
**Sent:** Sunday, July 30, 2023 2:32 AM  
**To:** His Holiness Pope Francis; Finland Chancellor of Justice; Honorable Representative Victoria Spartz IN; jt4590; stevencouvillion; business; media; advocacy; compass; sttp  
**Subject:** Dear Right Honorable Elisabeth Borne

Dear Right Honorable Elisabeth Borne, Right Honorable Brigitte Macron, Right Honorable Jean Castex, Thank you sincerely, for all you do for France, our people, U.N., NATO, our world, and all God's Creatures. I reach out to you today as a Turpin, and as a Catholic gentleman of Faith in God, who loves all of God's Creatures. It is with my sincere apologies that I don't know how to speak French currently, though I wish to express that our friends in French Quebec have treated me very well, and that I'm very happy to have heritage also from France shown in my name of Turpin.

Today I reach out to you with the deepest concern, as I have seen firsthand, even if potentially in a tamer way, and even at times from afar, though I and my lovely wife have been the victims of these attacks and threats both domestic and international, of those who wish ill upon our societies, and the robberies, and travesties they commit against the innocent, which should never have happened, and gross tragedies which should never occur again to any of our world and God's Creatures.

During my investigations into these bad apples and their bad behaviors, I discovered that you and our Right Honorable Brigitte Macron, along with our Right Honorable Tuomas Poysti, Right Honorable Narendra Modi, and Right Honorable Droupadi Murmu, some of the most intelligent and driven public servants in our world at large, may have been investigating some of the same potential bad apples and their possible bad behaviors in efforts to stop them in their tracks and no longer tolerate their wrath.

Over the past few months I've sent many thank you notes to our world leaders, and sincere requests to find the bad apples who have been not only robbing our treasuries, and the fruits of labor, but the positive futures of so many people in our world, all while these bad apples purportedly threaten publicly to wage nuclear war upon innocents, children, and all God's Creatures on our beautiful earth.

Potential bad apples such as Henry Zhao, Changpeng Zhao, Denis G. Kulkov, and any of their affiliated associates and their possible bad behaviors may have forced us into resistance the likes of which our great French people and heritage has had to endure before, and shouldn't have to withstand ever again, all while they may be evading indictment via subterfuge and hidden money laundering to support their possible machinations against the very foundations and constitutions of each country.

Today I wish to show you a potential link between Henry Zhao, and Changpeng Zhao in the websites below, and in doing so I wish to say that in my opinion it is nothing new to see money hidden and/or laundered within art purchases and shell companies when potential bad apples are involved. Nonfungible Tokens are a relatively new form of digital cryptocurrency art which resides on the Binance blockchain, and while I haven't had the time to fully research "Binance Dot" I may at least describe it as the ability to purchase "art assets" in a way which may allow for money to be hidden via the often fluctuating prices of "artwork" on the same Blockchain you're currently litigating. It is possible I may have found a link within the "page source" and "Google Index" which ties Henry Zhao, his company, Nancy Wong, her company, Changpeng Zhao, his company, and the Binance Blockchain to NFT "art."

Henry Zhao

<https://opoyi.com/world/who-is-henry-zhao-hunter-biden-was-reportedly-sitting-with-joe-biden-while-demanding-payment-from-chinese-businessman/>

Nancy Wong & "Binance Dot"

<https://www.coinllectibles.art/en/about/team/CjbQDJBRe1w>

Pagesource referencing how purchases are conducted on the Binance Dot and Binance Blockchain:

view-source:<https://www.coinllectibles.art/en/about/team/CjbQDJBR1w>

Harvest Fund Management Search:

[https://www.google.com/search?q=%22Harvest+Fund+Management%22+%22binance%22&sxsrf=AB5stBjrUuU619IfnjmWR5MZYEO25IkGtA%3A1689898368210&ei=gM25ZO23DL24wPAPyOa8kA0&ved=0ahUKEwj98X\\_wZ6AAxU9HBAIHUgzD9IQ4dUDCA8&uact=5&og=%22Harvest+Fund+Management%22+%22binance%22&gs\\_lp=Egxnd3Mt d2l6LXNlcnAilyJIYXJ2ZXN0IEZ1bmQgTWFuYWdlbWVudCIGlmJpbmFuY2UiMgUQIRigATIFECEY0AEyBRAhGKA BSJ4mUN0MWP4dcAN4AJABAjgBlwKgAf0LgqEFMC4yLjW4AQPIAQD4AQHCAgsQABiKBRiGAXiwA8ICBRAAGK IE4gMEGAEGYgGAZAGAg&scient=gws-wiz-serp](https://www.google.com/search?q=%22Harvest+Fund+Management%22+%22binance%22&sxsrf=AB5stBjrUuU619IfnjmWR5MZYEO25IkGtA%3A1689898368210&ei=gM25ZO23DL24wPAPyOa8kA0&ved=0ahUKEwj98X_wZ6AAxU9HBAIHUgzD9IQ4dUDCA8&uact=5&og=%22Harvest+Fund+Management%22+%22binance%22&gs_lp=Egxnd3Mt d2l6LXNlcnAilyJIYXJ2ZXN0IEZ1bmQgTWFuYWdlbWVudCIGlmJpbmFuY2UiMgUQIRigATIFECEY0AEyBRAhGKA BSJ4mUN0MWP4dcAN4AJABAjgBlwKgAf0LgqEFMC4yLjW4AQPIAQD4AQHCAgsQABiKBRiGAXiwA8ICBRAAGK IE4gMEGAEGYgGAZAGAg&scient=gws-wiz-serp)

In my opinion, if these are links to bad apples which may be operating influence and money laundering schemes, and whose possible bad behaviors may have made all of our Right Honorable leaders on the world stage look bad even by no fault of their own, this in my opinion is unacceptable bad behavior besmirching the wonderful legacy of France, and our world at large, and a disgrace ignoring each the gross tragedies, and historic transformation of our world over time by those who have strived for peace.

When I discovered and reported some of these scandals out of concern and told bad apples "no" and "no more" to their bad behaviors towards us, they didn't stop with robbing the fruits of our labors over a lifetime of toil, nor did they stop after evicting me yet again from my childhood home, nor even from separating us yet again from family, and attempting to deny our rights to even celebrate our loved ones living, and in passing... they may have even attempted to stop our Catholic marriage and threatened my lovely wife, and any future children we may have with fates up to and worse than death.

Who does that?

They may speak to anyone they wish to about, as they have called it, my "molested body" and they may have their opinions even on a world stage, but they may not have my Faith in God and our Catholic Church, nor our marriage, nor my lovely wife and children even if I must march like Turpin De Reims and even if I were to suffer the same fates as our Great Charlegmagne, and Great Napoleon.

In my opinion this is unacceptable, unreasonable, and intolerable bad behavior, and still they continue to deny us our God-given inalienable right to say no, even after God and Church and State have told them no, so I plea to you under the oath of my heritage and Faith, please, bring these bad apples to justice to face the accountability for their bad behaviors against us all. Too long have our French people been driven under the yolk of extremist ideologies, and I'm not speaking about our great German and Jewish people and heritage, whom I and my ancestors forgave, and still forgive in celebration of our shared strength and fortitude which has withstood the test of time.

I speak of bad apples who only represent themselves and their intolerable bad behaviors which may extend even to harming women, children, and God's Creatures only for their own twisted amusement and machinations which, in my opinion, may require a response by all jurisprudence, religious and otherwise, and I plea to you today to continue to stand up for humanity and not allow these bad apples to encroach even one step further upon all our freedoms of life, liberty, and justice for all, which we all paid the price in our blood, sweat, tears, toils, trials, and tribulations, and let our "no more" be heard.

Thank you again, sincerely, for your dedicated public service to our people of France and all our world,  
Jon F. D. Turpin [De Reims]

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Potentially unrelated and coincidental, but maybe worth of note: BNB Holdings, INC in New York  
[https://opencorporates.com/companies/us\\_ny/5523981](https://opencorporates.com/companies/us_ny/5523981)

Supposed "Burner Phone" tying to our Honorable President Joseph R. Biden, Jr. and Hunter Biden  
<https://www.sott.net/article/481794-Joe-Biden-PICKS-UP-after-journalist-calls-secret-burner-phone-revealed-in-Hunter-scandal>

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**Sincerely,**  
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FBI InfraGard Louisiana & Indiana Chapters  
Fritz Technology LLC & Turpin Electric, Inc.

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"A successful man is one who can lay a firm foundation with the bricks others have thrown at him." -David Brinkley

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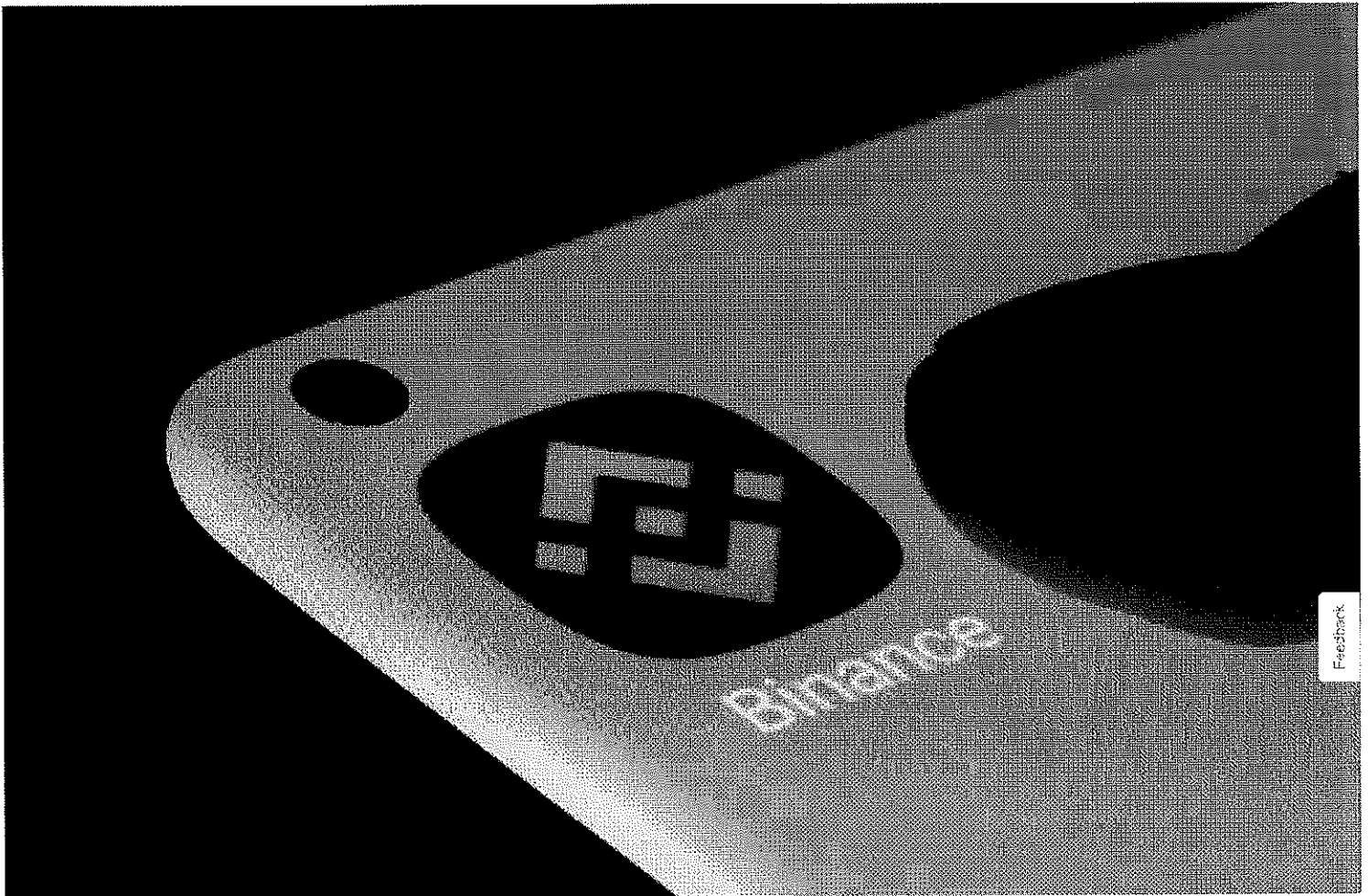
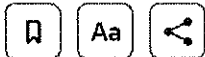
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Europe

## EXCLUSIVE Islamist attacker's suspected accomplices used crypto exchange Binance, German police say

By Angus Berwick and Tom Wilson

January 21, 2022 8:15 AM EST · Updated 2 years ago



Binance app is seen on a smartphone in this illustration taken, July 13, 2021. REUTERS/Dado Ruvic/Illustration [Acquire Licensing Rights](#)

LONDON, Jan 21 (Reuters) - Two men suspected by Germany of assisting an Islamist gunman, who killed four people in Vienna in 2020, used the major cryptocurrency exchange Binance, German federal police said in a confidential letter seeking information from the company.

Germany's Federal Criminal Police Office (BKA) said in the March 2021 letter, which was seen by Reuters, there were indications that the suspects bought or sold an unspecified amount of cryptocurrency on Binance.

Prosecutors have identified the men as Drilon G., a German national, and Blinor S. of Kosovo. Reuters is also withholding their full names.

Blinor S. used a bank account to carry out "several" transactions with Binance, the BKA wrote. A Binance verification code from February was found on Drilon G.'s phone, it added.

The BKA did not give details of the dates, number, or value of the transactions. It asked Binance to provide data relating to the pair, including all digital currency transactions. The request, it said, was in connection with "potential terrorist attack plans," without providing further detail.

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Reuters couldn't determine how Binance, the world's biggest cryptocurrency exchange by trading volumes, responded to the letter.

Binance didn't comment. The BKA declined to comment.

Blinor S. and Drilon G., in messages exchanged with Reuters, denied assisting the gunman, Kujtim Fejzulai, and using cryptocurrencies to finance his or any other attack. Blinor S. said he opened a Binance account in February and used it solely to invest in different cryptocurrencies. "I know that every transaction on Binance is traceable," he said.

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Lawyers for both men said neither had been formally charged with any crime and no arrest warrants have been issued.

Since last year Binance has come under pressure from financial regulators across the world. Regulators in Europe, the United States and Asia have called for tighter compliance controls on crypto exchanges to prevent money laundering and other illicit uses of digital currencies.

#### VIENNA ATTACK

On Nov. 2, 2020, Fejzulai, a 20-year-old Austrian who also held North Macedonian nationality, was killed by police minutes after he opened fire on crowded bars in Vienna.

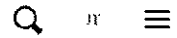
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Armed with an automatic rifle, a handgun and a machete, he had opened fire at six places near Vienna's main synagogue. Islamic State later claimed responsibility for the attack.

In a public statement in July last year, Germany's Federal Public Prosecutor General said Drilon G. and Blinor S. were suspected of knowing about the attacks in advance and failing to report them to the police. The statement said special forces and BKA officials had searched the two men's addresses in the German cities of Kassel and Osnabrueck.



The prosecutor's office, calling the men "suspected accomplices in the attack," did not mention cryptocurrencies, Binance, or any evidence they funded Fejzulai. Their lawyers confirmed to Reuters both were targets of the BKA's criminal investigation.

The pair had been in close contact with Fejzulai on social media before the attacks, the prosecutors' statement said, and in July 2020 stayed at his apartment in Vienna for several days along with Islamists from Austria and Switzerland. It highlighted their "close personal relationship with the assassin and their shared radical Islamic sentiments."

Blinor S. told Reuters there was no evidence for prosecutors' claims. Drilon G. said the accusations were false and he didn't "have anything to do with the horrible terror attack." The prosecutor's office declined to comment, saying the investigations were ongoing.

The prosecutor's office said DNA from unspecified participants at the Vienna meetings was later found on Fejzulai's weapons and on an Islamic State ring he wore during the attack.

Just before Fejzulai began his assault on the evening of Nov. 2, Blinor S. and Drilon G. deleted communications with Fejzulai on their mobile phones and social media profiles, it said.

((reporting by Tom Wilson and Angus Berwick, additional reporting by John O'Donnell in Frankfurt; editing by Janet McBride))

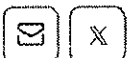
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Angus Berwick  
Thomson Reuters

Award-winning investigative reporter based in London, focused on financial enterprise journalism. He was previously a correspondent in Spain and Venezuela, where he reported on the Maduro government's efforts to retain power. He was Reuters' Reporter of the Year in 2019 and has won two Overseas Press Club awards.





Tom Wilson  
Thomson Reuters

Tom covers crypto companies, regulation and markets from London, focusing through 2022 on the Binance crypto exchange. He has worked at Reuters since 2014, with a previous posting to Tokyo where he uncovered abuses in Japan's immigration system and won a joint Overseas Press Club award for reporting on the tobacco giant Phillip Morris.



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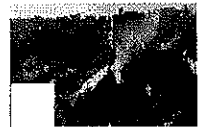
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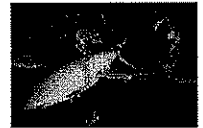
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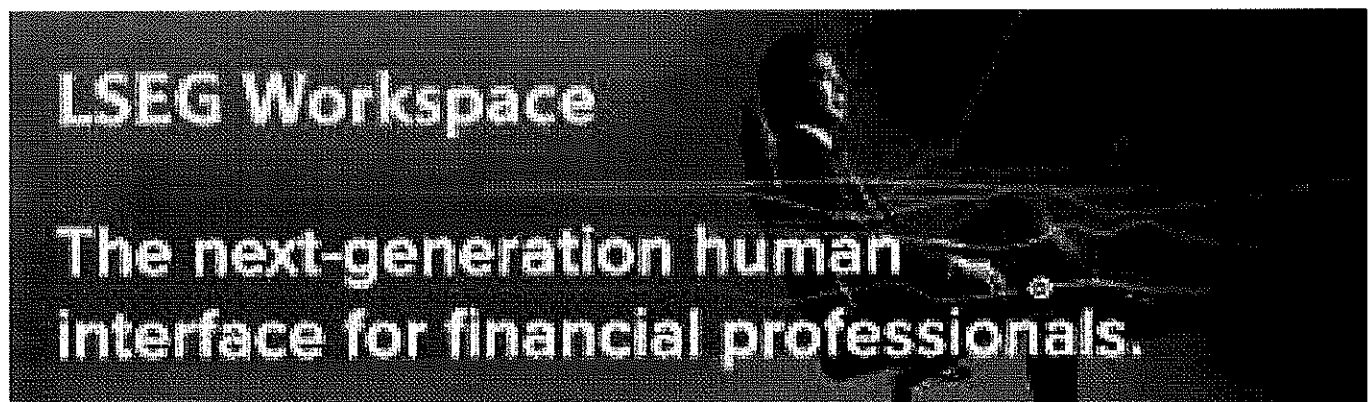
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Technology

## How crypto giant Binance built ties to a Russian FSB-linked agency

By Angus Berwick and Tom Wilson

April 22, 2022 5:03 PM EDT · Updated 2 years ago



[1/6] Binance app is seen on a smartphone in this illustration taken, July 13, 2021. REUTERS/Dado Ruvic [Acquire Licensing Rights](#)



VILNIUS, April 22 (Reuters) - In April 2021, Russia's financial intelligence unit met in Moscow with the regional head of Binance, the world's largest crypto exchange. The Russians wanted Binance to agree to hand over client data, including names and addresses, to help them fight crime, according to text messages the company official sent to a business associate.

At the time, the agency, known as Rosfinmonitoring or Rosfin, was seeking to trace millions of dollars in bitcoin raised by jailed Russian opposition leader Alexei Navalny, a person familiar with the matter said. Navalny, whose network Rosfinmonitoring added that month to a list of terrorist organisations, said the donations were used to finance efforts to expose corruption inside President Vladimir Putin's government.



Binance's head of Eastern Europe and Russia, Gleb Kostarev, consented to Rosfin's request to agree to share client data, the messages showed. He told the business associate that he didn't have "much of a choice" in the matter.

Kostarev didn't comment for this article. Binance told Reuters it had never been contacted by Russian authorities regarding Navalny. It said that before the war it was "actively seeking compliance in Russia," which would have required it to respond to "appropriate requests from regulators and law enforcement agencies."

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The encounter, which has not been previously reported, was part of behind-the-scenes efforts by Binance to build ties with Russian government agencies as it sought to boost its growing business in the country, Reuters reporting shows. This account of those efforts is based on interviews with over 10 people familiar with Binance's operations in Russia, including former employees, ex-business partners and crypto industry executives, and a review of text messages that Kostarev sent to people outside the company.

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Binance has continued to operate in Russia since Putin ordered his troops into Ukraine on Feb. 24, despite requests from the government in Kyiv to Binance and other exchanges to ban Russian users. Other major payment and fintech companies, such as PayPal and American Express, have halted services in Russia since the Kremlin launched what it calls a "special operation" to demilitarise and "denazify" Ukraine. One of Binance's main rivals in Russia, EXMO.com, said on Monday it would no longer serve Russian and Belarusian clients and was selling its Russia business. Some smaller crypto exchanges remain.

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CEO Changpeng Zhao, widely known by his initials CZ, has said he is against the war and "politicians, dictators that start the wars" but not against "the people on both sides of Ukraine and Russia that are suffering." Zhao didn't comment for this article. Binance referred Reuters to Zhao's previous statements on the matter.

Legal representatives for Binance told Reuters that "active engagement with the Russian government has now stopped due to the conflict." On Thursday Binance told users it was limiting services for major clients in Russia because of the latest European Union sanctions on Moscow.

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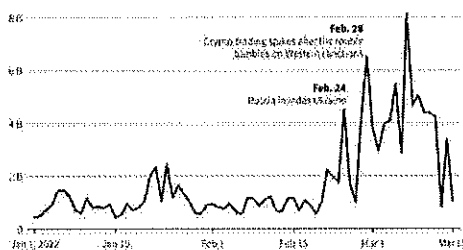
Binance's trading volumes in Russia have boomed since the war began, data from a top industry research firm shows, as Russians turned to crypto to protect their assets from Western sanctions and a devaluing rouble. In one recent message to an industry contact, Kostarev said Binance's priority was to ensure the market stayed open, so the exchange wasn't "making a fuss." He didn't elaborate.

Asked by Reuters to clarify Kostarev's message, Binance said the war and economic crisis could accelerate crypto's adoption among working-class Russian citizens looking for alternative payment means. Binance added that it is aggressively applying sanctions imposed by Western governments, but would not unilaterally "freeze millions of innocent users' accounts."

#### Binance in Russia's war

Crypto traders flocked to Binance as the rouble fell after Russia's invasion of Ukraine.

Roubles



Note: Data to March 15  
Source: CryptoCompare

Reuters Graphics Reuters Graphics

#### THE FREEDOM OF MONEY

Since its launch five years ago in Shanghai, Binance has grown to dominate the unregulated Russian crypto sector with an estimated four-fifths of all trading volumes, market data shows. Binance said it doesn't comment on "external data projections" and, as a private company, doesn't share such information publicly.

Zhao, in 2019, told Russians that Binance's mission there was to increase the "freedom of money" and "protect users." Russians flocked to the platform, seeing it as an alternative to a banking system closely monitored by a state they distrusted.

In line with a draft law to regulate crypto companies, Binance agreed with Rosfinmonitoring to set up a local unit in Russia through which authorities can request client data, the Kostarev messages reviewed by Reuters show. Asked whether it had proceeded to set up this local unit, Binance responded, "Should we consider establishing a local entity in Russia in the future, Binance will never share data without a legitimate law enforcement request."

Navalny's chief of staff, Leonid Volkov, told Reuters that Russia's proposed regulatory framework could let the Kremlin identify the opposition group's crypto donors. Since Navalny's arrest in January 2021, his anti-corruption foundation has publicly encouraged backers to donate via Binance, telling them this was the safest way to do so because, unlike with bank transfers, authorities would not know donors' identities.

"These people will be in danger," said Volkov, who runs the foundation from Lithuania. If Binance wants to protect its customers, Volkov went on, it should "never do anything with the Russian government." The Kremlin declined to comment on Navalny's crypto fundraising or Binance's operations.

In response to Reuters' questions, Binance said that before the war it was supportive of legislation that would bring clarity to regulation. But the Ukraine conflict and Western sanctions on many Russian banks had made it "virtually impossible for any platform to initiate or consider future plans in the region."

People close to Binance said it supported the draft law because, once passed, crypto exchanges would be required to partner with Russian banks, allowing customers to deposit and trade significantly more funds.

The finance ministry said in early April it had finished drafting its "bill on the regulation of digital currencies." People involved in the discussions say the government wants to move quickly to write the bill into law. One lawmaker told parliament's official newspaper last month the crypto legislation would help mitigate damage to the Russian economy from sanctions.

Among the agencies helping develop the law is Rosfinmonitoring, responsible for combating money laundering and terrorist financing. Though nominally independent, it acts as an arm of the Federal Security Service (FSB), the main successor to the Soviet-era KGB, five people who have interacted with Rosfin said. Rosfin's director, Yuri Chikhanchin, is a security services veteran, according to his official biography.

Marshall Billingslea, a former head of the Financial Action Task Force, a global watchdog which sets standards for authorities combating financial crime, told a conference last year that Rosfin was "firmly under control of the FSB" to ensure that only state-sanctioned transactions were made into and out of Russia. Billingslea said it was "no surprise" to see Rosfin declare Navalny's network a terrorist organisation after his arrest.

Rosfin, in a written response to Reuters' questions, said it fully complies with international standards of operational independence in areas including regulating the activities of virtual asset service providers. Chikhanchin didn't comment.

At least one other crypto exchange did not agree to provide client data to Rosfin due to concerns about how the information could be used and the FSB's influence on the unit, according to a person familiar with the discussions. Others in Russia's crypto sector said they were also sceptical about the draft law.

"No one knows if the proposed local office system will be used for good or bad," said Mike Bystroff, a partner at the Moscow-based Digital Rights Center law firm, who represented Binance when it successfully challenged a ban on its website in January 2021.

Binance's willingness to engage with Rosfin through 2021 contrasted with its approach elsewhere. Some national regulators have accused the company of withholding information. Britain's regulator said in August last year a Binance UK unit was "not capable of being effectively supervised" after it refused to answer questions about Binance's global business. Liechtenstein's regulator, in a 2020 report, said Binance's dealings with the body were "non-transparent" as it declined to provide financial information on request. In an article published in January, Reuters reported that Binance cancelled plans to seek a licence in Malta in 2019 due to Zhao's concerns about the level of financial disclosure required.

Lawyers for Binance said it was "false equivalency" to conflate "distinct issues of our client's responsiveness to law enforcement disclosure requests, with licensing applications for its own business that would involve wholly different types of disclosures." Binance said it was "the most active participant in the industry" working with law enforcement to "develop best practices, mitigate/thwart new methods of criminality and prevent illicit proceeds from entering the marketplace."

Binance said any suggestion that it refuses to share data with authorities making legitimate requests is "absolutely false." It said it has strict policies and procedures to assess such requests and reserves the right to decline "when there is no legal purpose."

"DON'T BE AFRAID"

Zhao first travelled to Russia as Binance CEO in October 2019. At a tech forum in Moscow, he told an audience to stop being "a slave" to traditional finance. His slideshow cited the 18th century philosopher Jean-Jacques Rousseau: "A man is born free, but everywhere he is in chains."

Binance targeted Russia for expansion, noting in a 2018 blog post the country's "hyperactive" crypto community. The exchange partnered with Belize-based payment company Advcash to enable users to deposit and withdraw roubles using bank cards. Advcash said the partnership is still active.

Binance gradually took a commanding share of the Russian crypto market. By mid-2021, Binance's trading volumes in Russia had made it the exchange's second-largest market globally after China, including among "VIP" clients who trade large amounts of crypto, a person with direct knowledge of the company's data said. In March this year, Binance processed almost 80% of all rouble-to-crypto trades, according to data from researcher CryptoCompare, worth some 85 billion roubles (\$1.1 billion).

"People just trusted it. It was always a step ahead of competitors," said Maksim Sukhonosik, a Russian crypto trader and co-founder of blockchain consulting firm Collibri Group.

However, in 2020, Binance began drawing the attention of Russian authorities, who were at the time hostile to cryptocurrencies. Russia's communications watchdog banned its website for allegedly carrying prohibited material about buying crypto. Binance challenged the decision in court and the ban was withdrawn in January 2021, according to statements Binance posted in its Telegram group for Russian users.

Binance told Reuters the lawsuit was dismissed on procedural grounds because the firm wasn't properly notified. The regulator did not respond to requests to comment.

Navalny was arrested that month on his return to Russia, after recovering from poisoning with the nerve agent Novichok. He, along with the U.S. and British governments, blamed the FSB for the attack, an accusation Russia rejects. The FSB did not respond to questions for this article.

A core part of Russian prosecutors' case against Navalny was the financing of his foundation. At his trial, they accused him of stealing over 350 million roubles, then worth some \$4.8 million, that the foundation received as donations. Navalny denied the charge. Volkov told Reuters that security forces interrogated thousands of supporters who donated through Russian banks. None of these donors had used digital currencies, he said.

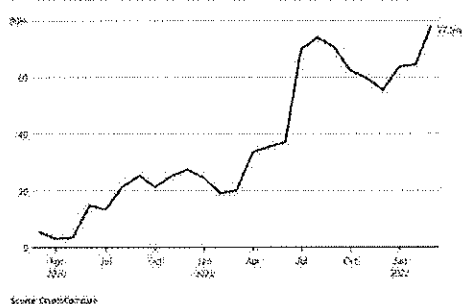
Navalny's crypto fundraising surged after his arrest. The more than 670 bitcoin that supporters have donated via Binance and other exchanges would now be worth almost \$28 million, according to blockchain data, though Volkov said the real amount raised is less because the bitcoins were sold upon receipt at a lower price.

When a Russian court outlawed Navalny's foundation in June 2021, ruling it to be an "extremist organisation," the network told supporters on Twitter to "learn how to use cryptocurrencies" and recommended they open Binance accounts. In a later how-to guide, the foundation advised donors to upload identity cards to Binance to verify their accounts, noting there were no instances yet of any crypto exchange providing information to Russian authorities. "You don't need to be afraid," the guide said.

After the explosion in Navalny's bitcoin donations, the FSB started exploring how to identify his crypto donors, according to the person familiar with the matter. The FSB, the person said, instructed Rosfin to find a way to achieve that goal. Responding to questions from Reuters, Rosfin said it is prohibited from disclosing measures to combat terrorist financing. It said Navalny was involved in "terrorist activity."

#### Rouble riches

Binance dominates rouble crypto trading, with a near 80% share of the market in March.



Reuters Graphics Reuters Graphics

#### "OUT OF THE SHADOWS"

In April 2021, a Russian non-profit organisation called the Digital Economy Development Fund invited Binance to a private meeting with Rosfin at a government building in Moscow, according to the invitation seen by Reuters. The organisation is headed by a former top advisor to Putin on internet policy, German Klimenko, and was set up in 2019 to develop Russian technologies. The fund's website says one of its partners is the Russian trade and industry ministry. Kostarev, the Binance director, chairs the fund's committee on digital currencies.

Neither the Digital Economy Development Fund nor Klimenko responded to emails seeking comment.

Another exchange, OKX, originally Chinese but now based in the Seychelles, was also invited, a person familiar with the meeting said. An OKX spokesperson said the company declined the invitation, without giving a reason.

At the meeting, according to Kostarev's messages, Rosfin said it wanted exchanges to register with the agency so they could receive its requests for client information. Kostarev wrote to the business associate to say he didn't view the demand as a problem. He told the associate the FSB was interested in crypto, too. He didn't elaborate.

Asked about Kostarev's meeting with Rosfin, Binance said, "We did not work with, collaborate, nor partner with that organization." Five months later, Rosfin sent Binance a questionnaire, reviewed by Reuters, seeking more information on the exchange's background checks on clients and its "preferred channel of communication" with authorities for requests on crypto transactions. Asked about this communication, the firm said, "Binance takes its compliance obligations seriously and welcomes opportunities to consult with regulators."

Kostarev told the business associate in a message around the time of the questionnaire that Binance was stepping up efforts to engage with the government on crypto regulation. Rosfin was prepared to support Binance in this, Kostarev wrote.

But the Russian central bank was opposed to Moscow regulating cryptocurrencies and allowing the market to flourish out of concern that it would encourage criminal activity. Many of the world's central banks, whose mission includes controlling money supply, have similar qualms about the wild world of crypto. Governor Elvira Nabiullina told Russia's parliament in November "a responsible state should not stimulate their distribution." A spokeswoman for the central bank declined to comment.

In January of this year, Binance announced it had hired a senior central bank official, Olga Goncharova, as a director for the Greater Russia region. Goncharova would build "systematic interaction" with authorities in Russia, Binance said.



After Nabiullina proposed a ban on crypto use on Russian territory later that month, Kostarev told the business associate in a message that Binance was "in a war" with the central bank. All other Russian government agencies wanted to legalise digital currencies, Kostarev said. Support for crypto was indeed building in Moscow. Following Nabiullina's call for a ban, a top official at the finance ministry publicly backed the law that would require crypto exchanges to turn over names of their customers, saying it was necessary to ensure "transparency."

Putin then intervened. In a televised meeting with ministers on Jan. 26, he asked the government and central bank to reach a "unanimous opinion" on crypto regulation. He noted Russia had "certain competitive advantages" in the sector, such as surplus electricity, the most crucial input for the power-hungry creation of cryptocurrency.

Two weeks later, the government approved a plan for crypto regulation, drawn up by agencies including Rosfin and the FSB, that would bring the "industry out of the shadows."

Kostarev tweeted in response to an article on the announcement, "Finally some good news."

In a document describing the proposed regulatory framework, the government said that without such a system law enforcement "will not be able to respond effectively to offences and crimes." The government would create a database of cryptocurrency wallets related to terrorism financing, the government said, and exchanges would have to disclose information about their customers to Rosfin. The finance ministry submitted an early version of the draft law on Feb. 18.

Six days later, Russian forces invaded Ukraine. Binance's rouble trading exploded as Western nations imposed sanctions on Russia and the Kremlin limited foreign currency withdrawals. CryptoCompare's data shows Binance's average daily volume for rouble transactions for the initial three weeks of the war was almost four times higher than during the month before.

On Binance's Russian Telegram group, some volunteer customer representatives, known as Binance Angels, endorsed traders' posts thanking Binance for not blocking accounts, including one message asking Binance not to "fall for this war crap." Binance has enlisted hundreds of Angels around the world to promote the exchange to local crypto traders.

"Binance does not interfere in politics," one Angel wrote. Binance told Reuters that Angels are not spokespeople for the company.

Binance also drew praise from Putin's United Russia party. One lawmaker, Alexander Yakubovsky, speaking to the official parliament newspaper on March 14, called Binance the "leading experts in our country" advising politicians on crypto regulation. The company "is under strong pressure from countries unfriendly to Russia," he said. Binance said they had never met or communicated with Yakubovsky and his opinions were his own.

(\$1 = 78.2830 roubles)

((Reporting by Angus Berwick in Vilnius and London and Tom Wilson in London; edited by Janet McBride))

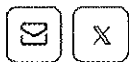
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## U.S. DEPARTMENT OF THE TREASURY

### Treasury Targets Covert Hamas Investment Network and Finance Official

May 24, 2022

WASHINGTON – Today, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) designated a Hamas finance official as well as an expansive network of three Hamas financial facilitators and six companies that have generated revenue for the terrorist group through the management of an international investment portfolio.

Hamas’s Investment Office, whose leadership oversees this network, held assets estimated to be worth more than \$500 million, including companies operating in Sudan, Turkey, Saudi Arabia, Algeria, and the United Arab Emirates (UAE). While Hamas’s Shura Council and Executive Committee exercise control and oversight of the group’s international investment portfolio, the Investment Office is in charge of the day-to-day management of this investment portfolio.

“Today’s action targets the individuals and companies that Hamas uses to conceal and launder funds,” said Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes Elizabeth Rosenberg while in Israel to discuss counter terrorist financing efforts. “Hamas has generated vast sums of revenue through its secret investment portfolio while destabilizing Gaza, which is facing harsh living and economic conditions. Hamas maintains a violent agenda that harms both Israelis and Palestinians. The United States is committed to denying Hamas the ability to generate and move funds and to holding Hamas accountable for its role in promoting and carrying out violence in the region.”

The individuals and companies listed below are being designated under Executive Order (E.O.) 13224, as amended, which targets terrorists, leaders, and officials of terrorist groups, and those providing support to terrorists or acts of terrorism. The United States designated Hamas as a Foreign Terrorist Organization in October 1997, and as a Specially Designated Global Terrorist pursuant to E.O. 13224 in October 2001.

#### **SENIOR OFFICIALS OF HAMAS INVESTMENT OFFICE**

**Ahmed Sharif Abdallah Odeh and Usama Ali**

**Ahmed Sharif Abdallah Odeh** (Odeh), a Jordanian national, was in charge of the international investment portfolio until 2017. Even after Odeh stepped down as the Investment Office chief, he oversaw the Investment Office on behalf of Hamas's Shura Council. Odeh regularly met with senior Hamas officials, gave presentations about the portfolio's business activities, and coordinated financial transfers on behalf of the group.

In mid-2017, **Usama Ali** was appointed as the head of the Investment Office, a position from which he coordinated financial transfers to Hamas. Although he did not maintain an official role in companies associated with the investment portfolio, he was involved in their business activities. In addition to managing Hamas's investment portfolio, as of early 2019, Usama Ali was a Hamas operative and member of Hamas's Shura Council. Additionally, Usama Ali served on Hamas's Executive Committee. He maintained direct contact with senior Hamas leaders, including Political Bureau Chief Ismail Haniyeh, Political Bureau Deputy Chief Salih al-Aruri, financial official Zahar Jabarin, and others.

Ismail Haniyeh was designated by the State Department on January 31, 2018, pursuant to E.O. 13224. Salih al-Aruri was designated by the Treasury Department on September 10, 2015, pursuant to E.O. 13224. Zahar Jabarin was designated by the Treasury Department on September 10, 2019, pursuant to E.O. 13224.

Ahmed Sharif Abdallah Odeh is being designated pursuant to E.O. 13224, as amended, for having acted or purported to act for or on behalf of, directly or indirectly, Hamas. Usama Ali is being designated pursuant to E.O. 13224, as amended, for being a leader or official of, Hamas.

### **Hisham Younis Yahia Qafisheh and Hamas-Affiliated Companies**

**Hisham Younis Yahia Qafisheh** (Qafisheh) is a Turkey-based Jordanian national who served as Usama Ali's deputy and played an important role in transferring funds on behalf of various companies linked to Hamas's investment portfolio. Qafisheh was involved in managing the operations or held key roles in several companies controlled by Hamas including serving as a member of the Board of Directors at Sudan-based **Agrogate Holding** and the Deputy Chairman of the Board at Turkey-based **Trend GYO**, and Chairman of the Board at Sudan-based **Al Rowad Real Estate Development**. Qafisheh also managed **Anda Company**, a real estate and construction business, which was based in Saudi Arabia.

Agrogate Holding is an infrastructure and mining company in Sudan. Qafisheh and Odeh interviewed and hired candidates for Agrogate leadership and had a direct line of communication to the company board of directors.

As of 2018, Hamas elements held about 75 percent of the issued capital at Turkey-based company Trend GYO. Additionally, Hamas planned to privately issue more than \$15 million of Trend GYO's shares to senior officials in the investment portfolio.

Al Rowad Real Estate Development was established in 2010 by merging several Hamas companies based in Sudan. Qafisheh made hiring and firing decisions at Al Rowad and was also involved in the company's financial dealings.

Hisham Younis Yahia Qafisheh is being designated pursuant to E.O. 13224, as amended, for having acted or purported to act for or on behalf of, directly or indirectly, Hamas. Anda Company, Agrogate Holding, Trend GYO, and Al Rowad Real Estate Development are being designated pursuant to E.O. 13224, as amended, for being owned, controlled, or directed by, directly or indirectly, Hamas.

#### **Sidar Company and Itqan Real Estate JSC**

The Investment Office also covertly held assets in Algeria-based **Sidar Company** and UAE-based **Itqan Real Estate JSC**, both of which appeared to operate as legitimate businesses, but in practice, were controlled by Hamas and transferred money to the group. A significant portion of funds transferred by these companies to Hamas were allocated to the group's military arm, the Izz-Al-Din Al-Qassam Brigades.

Sidar Company, Anda Company, and Agrogate Holding were among Hamas's larger investments in real estate and construction. Hamas Investment Office leadership actively managed Sidar Company, a real estate development company.

Itqan was among several commercial companies controlled by Hamas's covert investment portfolio. In mid-2019, Hamas investment portfolio managers considered selling one of Itqan's highest-value assets, valued at \$150 million.

Sidar Company and Itqan Real Estate JSC are being designated pursuant to E.O. 13224, as amended, for being owned, controlled, or directed by, directly or indirectly, Hamas.

#### **HAMAS FINANCE OFFICIAL**

**'Abdallah Yusuf Faisal Sabri** (Sabri), a Kuwait-based Jordanian national, is an accountant who has worked in the Hamas Finance Ministry for several years. Sabri, a Hamas financial official and representative, has been an important figure in the terrorist organization since 2006, and played a role in expanding Hamas's reach in the region.



Since at least 2018, Sabri has managed Hamas's operational expenses and oversaw the transfer of large sums of money on behalf of Hamas, including transfers from Iran and Saudi Arabia, which he sent to Hamas members, units, and industries. In 2018, Sabri was appointed chairman of a committee that, together with Hamas's investment apparatus, would supervise a budget summary report pursuant to a resolution from a recent Hamas leadership meeting. Sabri likely knew details about Hamas's financial planning and was likely aware of Hamas's investment projects, sources of income, and financial expenditures.

'Abdallah Yusuf Faisal Sabri is being designated pursuant to E.O. 13224, as amended, for being a leader or official of Hamas.

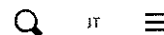
### **SANCTIONS IMPLICATIONS**

As a result of today's action, all property and interests in property of the individuals and entities named above, and of any entities that are owned, directly or indirectly 50 percent or more by it, individually, or with other blocked persons, that are in the United States or in the possession or control of U.S. persons, must be blocked and reported to OFAC. Unless authorized by a general or specific license issued by OFAC or otherwise exempt, OFAC's regulations generally prohibit all transactions by U.S. persons or within the United States (including transactions transiting the United States) that involve any property or interests in property of designated or otherwise blocked persons.

Furthermore, engaging in certain transactions with the individuals and entities designated today entails risk of secondary sanctions pursuant to E.O. 13224, as amended. Pursuant to this authority, OFAC can prohibit or impose strict conditions on the opening or maintaining in the United States of a correspondent account or a payable-through account of a foreign financial institution that knowingly conducted or facilitated any significant transaction on behalf of a Specially Designated Global Terrorist.

The power and integrity of OFAC sanctions derive not only from its ability to designate and add persons to the SDN List, but also from its willingness to remove persons from the SDN List consistent with the law. The ultimate goal of sanctions is not to punish but to bring about a positive change in behavior. For information concerning the process for seeking removal from any OFAC list, including the Specially Designated Nationals and Blocked Persons List, please refer to OFAC's Frequently Asked Question 897. Additional information regarding sanctions programs administered by OFAC can be found [here](#).

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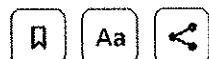
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Future of Money

## French MEP asks regulator to justify Binance approval, cites Reuters report

By Angus Berwick and Tom Wilson

July 5, 2022 10:48 AM EDT · Updated a year ago



[1/2] Representations of cryptocurrencies Bitcoin, Ethereum, Dogecoin, Ripple, and Litecoin are seen in front of a displayed Binance logo in this illustration taken, June 28, 2021. REUTERS/Dado... [Acquire Licensing Rights](#) Read more



LONDON, July 5 (Reuters) - A French Member of the European Parliament (MEP) urged France's market regulator to review its decision to register the Binance cryptocurrency exchange, citing a recent Reuters investigation into money laundering on the platform.

In a June 13 letter, Aurore Lalucq, also a member of the European Parliament's Committee on Economic and Monetary Affairs, asked the AMF regulator to justify its "incomprehensible" decision to register a Binance unit as a digital assets service provider.

As a basis for her concerns, Lalucq cited a statement from Britain's financial regulator last year which said Binance was "not capable of being effectively supervised," and the Reuters report, published in June, which found Binance served as a conduit for the laundering of at least \$2.35 billion in illicit funds.

[read more](#)

Binance, the world's largest crypto exchange with about 120 million users worldwide, said at the time it did not consider Reuters' calculation to be accurate and it was building "the most sophisticated cyber forensics team on the planet."

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Asked about the letter, Latuq told Reuters that the crypto sector needed more regulation to prevent it being used for "criminal practices." She said the AMF promptly replied to her, but did not detail how it did so. The AMF declined to comment on the letter, which was previously reported by the Financial Times.

Binance did not respond to Reuters' requests for comment. The company told the FT it "will continue to meet all requirements set by regulators".

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Binance, which processes crypto trades worth hundreds of billions of dollars a month, in May hailed the French registration as a "milestone achievement", saying it was its first to provide digital asset services in Europe. Binance has said it wants to open a regional headquarters in France.

Since Binance's 2017 launch in Shanghai, over a dozen financial regulators have issued warnings about the crypto giant, ranging from its anti-money laundering compliance and consumer risks to how it was operating without a licence.

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Feedback

A Reuters article in January found Binance withheld information from regulators while saying it welcomed oversight. Binance said in response it was driving industry standards higher.

In her letter to the AMF's chairman, Lalucq questioned what the criteria for Binance's acceptance were and whether it was possible to withdraw its registration "in the event of serious and proven breaches".

Lalucq noted that many other regulators had refused to give any registration or approval to Binance. The AMF's decision had given Binance "a guarantee of respectability," she said.

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The cryptocurrency sector globally is facing calls for tighter regulation, with the European Union agreeing groundbreaking rules last week to tame a volatile market. [read more](#)

Additional reporting by Mathieu Rosemain in Paris; Editing by Emelia Sithole-Matarise

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Technology

## Exclusive: U.S. sought records on Binance CEO for crypto money laundering probe

By Angus Berwick and Tom Wilson

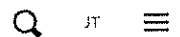
September 1, 2022 9:28 AM EDT · Updated a year ago



[1/2] Changpeng Zhao, founder and chief executive officer of Binance, attends the Viva Technology conference dedicated to innovation and startups at Porte de Versailles exhibition center in Paris, France... [Acquire Licensing Rights](#) [Read more](#)



LONDON, Sept 1 (Reuters) - U.S. federal prosecutors asked Binance, the world's largest cryptocurrency exchange, to provide extensive internal records



instructions that "documents be destroyed, altered, or removed from Binance's files" or "transferred from the United States."

The December 2020 request, which has not been previously reported, was part of a Justice Department investigation into Binance's compliance with U.S. financial crime laws that remains ongoing, four people familiar with the inquiry said.

\* How crypto giant Binance became a hub for hackers, fraudsters and drug traffickers

\* Crypto giant Binance kept weak money-laundering checks even as it promised tougher compliance, documents show

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U.S. authorities, the people said, are investigating whether Binance violated the Bank Secrecy Act. This requires crypto exchanges to register with the Treasury Department and comply with anti-money laundering requirements if they conduct "substantial" business in the United States. The law, designed to protect the U.S. financial system from illicit finance, provides for jail terms of up to 10 years.

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Reuters could not establish how Binance and Zhao, one of the most prominent figures in the crypto sector, responded to the request from the department's criminal division.

In response to Reuters' questions about the letter and investigation, Binance Chief Communications Officer Patrick Hillmann said, "Regulators across the globe are reaching out to every major crypto exchange to better understand our industry. This is a standard process for any regulated organization and we work with agencies regularly to address any questions they may have." Binance has "an industry leading global security and compliance team" with over 500 employees, including former regulators and law enforcement agents, Hillmann added.

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He didn't say how Binance responded to the Justice Department request. A Department spokesman declined to comment.

The request reveals the broad scope of the U.S. investigation into Binance. The probe's existence was reported last year by Bloomberg but until now little has been known about it. A Binance spokeswoman told Bloomberg at the time, "We take our legal obligations very seriously and engage with regulators and law enforcement in a collaborative fashion."

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The letter made 29 separate requests for documents produced since 2017, covering the company's management, structure, finances, anti-money laundering and sanctions compliance, and business in the United States. "Binance is requested to produce all documents and materials that are responsive to this letter in its possession, custody, or control," it said.

Binance was launched by Zhao, known as CZ, in Shanghai in 2017 and as of July controlled over half of the world's crypto trading markets, processing transactions worth more than \$2 trillion that month. Born in China and educated in Canada, where he holds citizenship, Zhao told Bloomberg in March that he will be based for the "foreseeable future" in Dubai, which that month granted Binance a license to conduct some operations.

A series of Reuters articles this year revealed how Binance drove its explosive growth while keeping weak customer checks and withholding information from regulators. Reuters found that the gaps in Binance's compliance programme enabled criminals to launder at least \$2.35 billion in illicit funds through the exchange, which also served traders in Iran despite U.S. sanctions. Until mid-2021, Binance customers could trade crypto by registering with just an email address.

Binance disputed Reuters' findings, calling them "outdated." The exchange said it is "driving higher industry standards" and seeking to "further improve our ability to detect illegal crypto activity on our platform." It said it did not consider Reuters' calculations of illicit fund flows to be accurate.

#### U.S. SCRUTINY

Crypto exchanges are under increasing scrutiny in the United States, where top government figures including Treasury Secretary Janet Yellen this year have publicly backed greater regulation of the sector. In February, the Justice Department established a national cryptocurrency enforcement team to "tackle the growth of crime involving these technologies," with a focus on exchanges.

That month, the founders of another exchange, BitMEX, pleaded guilty to violating the Bank Secrecy Act and were later sentenced to up to two and a half years of probation. BitMEX agreed to pay a \$100 million fine to settle separate charges for breaching the Act. BitMEX now says it "fully committed to operating its business in compliance with all applicable laws" and has made "substantial investments" in its compliance programme.

The Justice Department's 2020 letter was addressed to Binance Holdings Ltd., a company in the Cayman Islands, and to Roberto Gonzalez, a Washington-based attorney at law firm Paul, Weiss. Binance Holdings owns the Binance trademark and, according to regulatory filings, is owned by Zhao. Gonzalez and Paul, Weiss did not respond to requests to comment.

Binance has an opaque corporate structure. It has declined to give details of the ownership or location of its main Binance.com exchange, which has not accepted customers in the United States since mid-2019. Clients there are instead directed to a separate U.S.-based exchange called Binance.US, which also is controlled by Zhao, regulatory filings show. Binance.US registered with the Treasury in 2019; the main exchange never did so.

Since last year, over a dozen financial regulators around the world have issued warnings about Binance, saying it was either serving users without licenses or violating anti-money laundering rules. In July, the Dutch central bank said it had fined Binance over 3 million euros for operating in breach of

its financial crime laws. A Binance spokesperson said at the time that the fine marked a "pivot in our ongoing collaboration" with the central bank.

In the 2020 request, the Justice Department sought all documents that identified Binance employees responsible for compliance with the Bank Secrecy Act, details of its policies to combat illegal finance, and any reports of suspicious financial activity it had filed to authorities. Binance was asked to provide information on any transactions between the exchange and users involved in ransomware, terrorism and darknet marketplaces, along with those targeted by U.S. sanctions.

The department also requested documents related to the "business rationale" for establishing Binance.US. It asked for communications involving the 13 executives and partners – including Zhao, his co-founder Yi He, and his chief compliance officer, Samuel Lim – on the subject of "the creation of Binance.US and its relationship to Binance." Lim and He are still at Binance.

Reuters reported in January that Lim and other senior employees were aware that Binance's money-laundering checks were not rigorous, according to company messages reviewed by the news agency. Neither Lim nor Binance has commented on the messages.

In addition to the Justice Department request, the Securities and Exchange Commission issued a subpoena to Binance.US's operator, BAM Trading Services, that same month. The subpoena, reviewed by Reuters, required BAM to hand over documents showing whether any employees also worked for the main Binance exchange and what services it was providing the U.S. company.

Binance.US did not respond to Reuters' questions. The SEC said it does not comment on possible investigations.

((reporting by Angus Berwick and Tom Wilson; editing by Janet McBride))

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A REUTERS SPECIAL REPORT

## **How Binance CEO and aides plotted to dodge regulators in U.S. and UK**

A plan to "insulate" itself from the SEC. A backdated document. An exodus of compliance staff. The world's biggest crypto exchange and its billionaire founder swerved scrutiny by regulators, Reuters found. Now there are signs the strategy is fraying.

By TOM WILSON and ANGUS BIRWICK | Filed Oct. 17, 2022, 11 a.m. GMT

WASHINGTON, DC — As 2022 dawned, Changpeng Zhao was riding high. In less than five years, the founder and chief executive of Binance had turned his young company into the world's largest crypto exchange, accounting for more than half the trading in the trillion-dollar market.

True, global authorities were scrutinising crypto exchanges ever-more closely. But the Chinese-born billionaire, known to staff and fans by his initials, CZ, had that covered. He told customers in a blog post in January that Binance "embraces regulations" and "has always worked collaboratively with regulators all over the world."

Behind the scenes, however, trouble loomed.

For at least a year before that post, the U.S. Justice Department had been pursuing a money laundering investigation into Binance, seeking extensive records on Binance's policies and the conduct of Zhao and other top executives. Reuters reported on Sept. 1. Binance called such requests a "standard process" and said it works with agencies worldwide to address their questions.

Now, new reporting by Reuters reveals fresh details about Binance's strategy for keeping regulators at arm's length and continuing disarray in its compliance programme. The reporting includes interviews with around 30 former employees, advisers and business partners and a review of thousands of company messages, emails and documents dated between 2017 and early 2022.

It shows that in 2018, Zhao approved a plan by lieutenants to "insulate" Binance from scrutiny by U.S. authorities by setting up a new American exchange. The new exchange would draw regulators' attention away from the main platform by serving as a "regulatory inquiry clearing house," according to the proposal. Executives went on to set the plan in motion, company messages show.

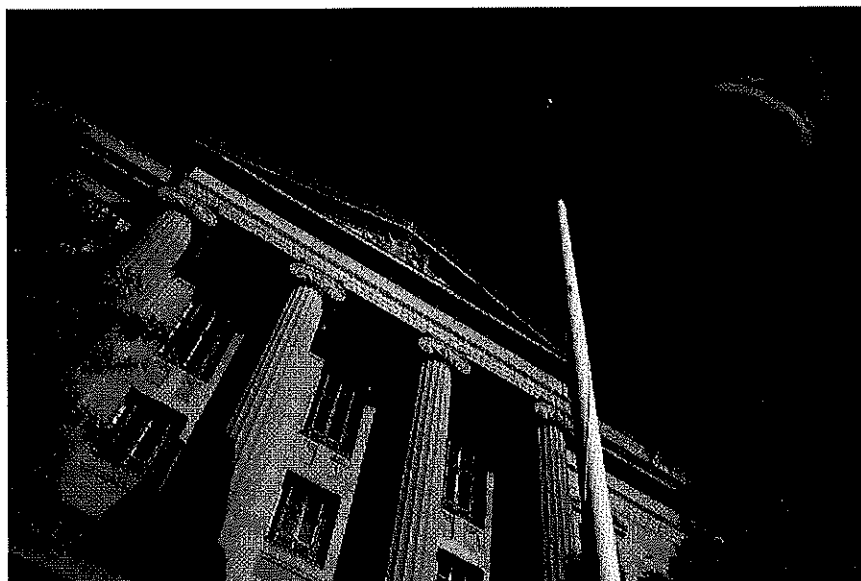
In public, Zhao said the new U.S. exchange — called Binance.US — was a "fully independent entity." In reality, Zhao controlled Binance.US, directing its management from abroad, according to regulatory filings from 2020, company messages and interviews with former team members. An adviser, in a message to Binance executives, described the U.S. exchange as a "de facto subsidiary."

This year, Binance.US's compliance operation has been in turmoil. Almost half the U.S. compliance team quit by mid-2022 after a new U.S. boss was appointed by Zhao, according to four people who worked at Binance.US.

120  
million

Number of Binance users as of July

The staff left, these people said, because the new chief pushed them to register users so swiftly that they couldn't conduct proper money laundering checks.



The U.S. Department of Justice Building in Washington. The department has sought internal records on Binance's policies and the conduct of Zhao and other top executives. REUTERS/Tom Brenner

The new insights come as the Justice Department is investigating whether Binance violated the Bank Secrecy Act, which requires crypto exchanges to register with the Treasury Department and comply with anti-money laundering requirements if they conduct "substantial" business in the United States.

"The Binance structure in the U.S. raises questions about the degree to which the parent company is willing to comply with U.S. laws and regulations," said Ross Delston, an independent lawyer, former banking regulator, and expert witness on anti-money laundering issues.

In Britain, too, Binance sought ways around regulatory scrutiny, company messages show. Zhao signed off on a plan in 2020 by a Binance executive to backdate a company document to avoid a review of a Binance UK unit under new illicit finance rules.

"I am fine with it," he wrote in an exchange discussing the plan.

Reuters sought comment for this article from Zhao, Binance and Binance.US.

Binance Chief Communications Officer Patrick Hillmann said that over the past two years, Binance has "worked with global law enforcement to seize assets of some of the most prolific criminal organizations" in the world. He didn't address Reuters' detailed questions.

After this article was published, Zhao said in a blog post that he "personally rejected" the 2018 plan to insulate Binance from U.S. regulators. Binance.US was set up "based on advice from leading US law firms," he said.

A spokesperson for Binance.US said Reuters' questions presented a "biased narrative," providing a "distorted depiction of Binance.US based on inaccuracies, misrepresentations, and outright falsehoods that simply do not square with reality."

Binance.US was founded "with the express purpose of operating as a licensed and regulated entity in the United States," the spokesperson said. "In the last year, under current management, we have invested in talent, technology and financial resources to maintain the highest standards for compliance," substantially increasing headcount and budget. "All Binance.US users, no exceptions, go through the same rigorous screening and validation process."

The U.S. Justice and Treasury departments and Britain's regulator, the Financial Conduct Authority, declined to comment. The FCA warned consumers in June 2021 that Binance doesn't hold "any form" of permission to offer services regulated by Britain.

## The Binance empire

Binance, which calls itself an "ecosystem," has set up at least 73 entities, it He declines to identify the entity behind the main exchange.

Companies controlled by Zhao

Zhao's role unclear

### NORTH AND SOUTH AMERICA

### EUROPE, MIDDLE EAST AND AFRICA

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	CAYMAN ISLANDS	SWITZERLAND	ITALY	BAHRA
			UGANDA	
	COLOMBIA			
	BRITISH VIRGIN ISLANDS	BRAZIL		SEYCHELLES

Sources: Reuters reporting, corporate filings, Binance documents

Reuters earlier this year revealed how Binance drove its explosive growth while maintaining weak anti-money laundering controls and withholding information from regulators. The gaps in its compliance programme enabled hackers, drug traffickers and fraudsters to launder crypto worth at least \$2.35 billion in funds through the exchange.

Binance disputed the reports, calling the illicit-fund calculations inaccurate and the descriptions of its controls "outdated." The exchange said it is "driving higher industry standards" and seeking to "further improve our ability to detect illegal crypto activity on our platform."

There are signs that gaps remain in Binance's compliance, however. Since August 2021, when Binance tightened customer checks, two Iranian crypto exchanges called Wallex and Sarmayex have used Binance to move crypto worth at least \$29 million despite U.S. sanctions on Iran, according to data compiled by two major blockchain analysis firms. Such activity puts Binance at risk of being hit with so-called secondary sanctions, which aim to prevent foreign firms from doing business with sanctioned entities or helping Iranians evade the U.S. trade embargo.

Wallex and Sarmayex did not respond to requests for comment.

The crypto sector is at a critical juncture. Prices have crashed, falling even harder than stocks as central banks tighten credit to fight inflation. Governments are seeking to tame an industry constrained by few guardrails during its evolution from internet niche to mainstream investment. Their actions will likely shape the fate of the empires built by moguls such as Zhao.

So far, Binance appears to be weathering what traders term a “crypto winter.” Zhao pledged \$500 million in May to join Elon Musk’s bid to buy Twitter and has expressed an interest in investing across the media, retail and gaming sectors.

In an open letter to customers in July, Zhao wrote, “Like any young company we have made mistakes in our past.” Binance, he said, now operates “at the same level as a financial institution that has been around for 200 years.”

## “Larger than Google”

At the heart of Binance’s troubled history with compliance stands its charismatic founder, Zhao. The 45-year-old entrepreneur built the company around himself, the interviews and documents show — a powerful leader committed to secrecy, focused on market domination, and attentive to minute operational details, although in public Zhao has said he doesn’t micromanage employees.

“We want to take over the entire market!” Zhao told staff in a company chat group in late 2017, the year he launched the business in his native China.

Described on its website as an “ecosystem” with over 120 million users, Binance has set up at least 73 companies across the world, according to corporate filings and company organisation charts. Zhao owns or partly controls at least 59. He declines to give details of the location or entity behind the main exchange, which makes money by charging fees on crypto trades.

After Binance’s launch, Zhao assigned top jobs to an inner circle of associates, many of whom had worked or studied in China. Among them was co-founder Yi He, a former host of a Chinese TV travel show. For several years, Zhao and Yi He were in a romantic relationship, according to four people who knew the couple. They have a son who was born in the United States, the people said. Companies commonly have policies in place regarding such relationships, with some requiring one of the people concerned to leave the organisation.

Yi He, who didn’t comment for this article, now is one of Zhao’s most powerful deputies and is seen by some former senior employees as a potential successor. This August, Zhao named her head of Binance’s \$7.5 billion venture capital arm, adding to her key roles that include marketing chief. Two weeks earlier, Zhao told an interviewer that Yi He had been “integral to Binance’s success” and would be an “integral part of our continued growth.”

Binance spokesman Hillmann said that “two consenting adults starting a family together is not news. Media have known about their relationship (which pre-dates Binance) for years.”



Binance co-founder Yi He, left, is one of CEO Changpeng Zhao's most powerful deputies. Above, they are pictured together on Twitter.



As Zhao grew Binance, he told employees in messages the company would be "larger than Google." He encouraged them to read "Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies," a book about fostering breakneck growth at start-ups, noting it was "very applicable to us."

A company guide explained Binance's mission for new employees. Rapid results were essential. Instead of conducting in-depth research or data analysis, employees should make decisions by trusting their "good-feel," it said. If they weren't encountering problems, it meant "we are not advancing fast enough," an emphasis on speed that raises questions about Binance's focus on compliance.

Zhao's preference for secrecy pervaded the company.

In Binance's early days, Zhao was driving its growth from two countries -- first in China, and later Japan -- in which it held no operating licence. Zhao told employees in messages not to publicly disclose who they worked for or where their offices were. On one occasion in 2018, a San Francisco-based cybersecurity firm called Bugcrowd asked Binance for its headquarters' address. After Binance executives warned in the chat group against disclosing this, Zhao instructed staff to provide an address for the Cayman Islands, where he had set up a holding company, even though Binance's employees were mostly in Asia. Bugcrowd declined to comment.

Binance later expanded the secrecy rules to prevent employees from revealing their location on social media, discussing their work in public, or wearing anything with Binance branding. Zhao told them to communicate using encrypted messaging services and to avoid email as much as possible. Zhao's personal assistant issued a guide on how to use one messaging service, called Keybase, instructing employees not to use their Binance email address to register, and listing Keybase's "automatic self-erasing messages" as a benefit.

The secrecy made at least four staff members uncomfortable. "It felt like you were doing something wrong," one ex-manager said in an interview.

Former employees said Zhao often drove people hard. In one message in 2020, he scolded an employee for failing to grow Binance in new markets and said he was "frustrated that we are not pushing faster." But Zhao also offered perks. He took staff on ski trips to Japan and a beach vacation in Thailand. Many received salaries in Binance's own virtual token, BNB, whose value soared over 15-fold early last year as the crypto market boomed.

Zhao himself seldom publicly indulged in luxuries. "When you are the biggest, gotta be especially humble," he messaged employees in late 2018. In a tweet this September he said that a Forbes estimate of his wealth at \$17.4 billion was a "subjective opinion."

## "Paper trail"

Zhao kept a close eye on operations, carrying out spot checks on employees' time sheets, according to chat messages and interviews with former employees.



5,686 likes

changpengzhao Finally got a hard copy. Got a nice photo in the center fold. Thanks to Forbes, and the cool friends who sent me many copies.

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4 March 2018

Binance founder Changpeng Zhao makes it onto the cover of Forbes magazine. Picture from Instagram

One example of his oversight came in early 2020. A London-based payments partner called Checkout.com asked Binance to state on its website that one of Binance's British units "shall be responsible for transactions" conducted using traditional money. A Checkout.com spokesperson said the request was "completely standard across the payments and commerce worlds."

A Binance employee raised a warning about the requested statement in a message exchange that included Zhao and other executives. The employee cautioned that the statement would leave a "paper trail" linking the British unit to the main exchange, which Binance has shielded from global regulators by not providing details of its location.

### **"A lot of room to play with compliance."**

Zoe Wei, a Binance strategy executive

Zoe Wei, a Binance strategy executive, responded that the statement could be made without publicly disclosing details of the UK unit's relationship with the main exchange. "Will not be (in) conflict with our unregulated policy," she wrote. That was an apparent reference to Binance's goal, set out in a company compliance document that month, to "protect the business from unnecessary regulatory scrutiny."

Wei later added that Binance could "secretly delete" the addition afterwards. "A lot of room to play with compliance," she noted.

"It looks fine. Go ahead," Zhao responded. In the following weeks, Binance added and then deleted the change to its terms of use.

Asked about the messages, an FCA spokesperson said: "Binance is not currently permitted to undertake any regulated activities without the written consent of the FCA." The regulator put the curbs in place last year after it concluded that another Binance UK firm was "not capable of being effectively supervised" because it refused to provide information about Binance's business and the legal entity behind the main exchange.

In another message, on March 11, 2020, Wei proposed backdating by three months a service agreement relating to various operations between the UK unit and Binance's Cayman Islands holding company. The aim: to buy time with the UK regulator. The FCA had recently applied strict anti-money laundering and counter-terrorism rules to the crypto industry. But any firm that could show it had been operating before Jan. 10, 2020, would be exempt from registering for another year.

Wei said Binance needed to persuade the FCA that "our UK entity have started operation before 10 January, 2020."

"Companies with existing crypto activities" in the UK prior to that date "can continue their operations without registering with the FCA until 10 Jan. 2021," she wrote.

Another executive wrote the backdating manoeuvre could be a "source of suspicion."

Zhao waved the plan through. "I am fine with it," he wrote. He later signed the document, which was seen by Reuters. The FCA declined to comment on the episode.

## "Insulate Binance"

As Binance raced to expand, one market was in focus: the United States.

Within five months of Binance's launch in 2017, a third of its users — one million at the time — were U.S.-based, a company blog post said. But Binance had not registered with the Treasury Department, as the Bank Secrecy Act required of financial companies with "substantial" business in the United States.

In September 2018, the New York attorney general's office announced it had referred Binance to the state regulator for potentially violating crypto laws, after investigating whether the company accepted local residents as clients. The state regulator and attorney general's office declined to comment.

Soon after, Zhao tasked executives with finding a way to ensure Binance kept access to the U.S. market, two people working with him said. In October, dozens of messages show, a group of top executives, including co-founder Yi He, sought the expertise of an entrepreneur called Harry Zhou.

Harry Zhou ran a U.S. crypto trading firm that Binance had invested in. He sent a proposal to a Binance executives' message group to address "Binance-specific risks in the U.S." Zhou suggested what he described as a "Tai-Chi entity," a reference to a martial art with defensive virtues. He didn't respond to requests for comment for this article.

Some details of Zhou's proposal, seen by Reuters, were reported by Forbes in 2020. Binance sued Forbes for defamation over the article that year, claiming the proposal was never implemented and that Zhou was a "third party," not acting on Binance's behalf. Binance later dropped the lawsuit. Forbes declined to comment.

### RELATED CONTENT



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Reuters has reviewed unreported messages that further detail the plan, show that Binance executives moved ahead with it and indicate that Zhou was working closely with Binance.

Zhou's proposal called for Binance to register with the Treasury a separate U.S. entity that would comply with the Bank Secrecy Act. The plan is set out in a presentation, titled "Binance US Entry," that he shared with the executive group. This entity would offer traders a far slimmer selection of tokens than the main exchange, and no derivative products, to "reduce attractiveness of enforcement" by the U.S. Securities and Exchange Commission (SEC).

The SEC declined to comment.

Binance would restrict U.S. customers' access to the main platform, the presentation said. But Binance would enable "strategic" use of virtual private networks, which obscure the location of internet users, to "minimize economic impact" of the changes. This would leave a loophole: U.S.-based traders would still be able to access the main exchange, with its greater liquidity and broader range of products, by using a VPN connection.

Zhou's presentation explained the burdens of the main exchange being regulated: "active outreach to regulators can result in lengthy inquiries and requests for excessive disclosures; settlement costs can be substantial." But the Tai Chi structure would "insulate Binance from legacy and future liabilities" and "retard and resolve built-up enforcement tensions." The Tai Chi entity -- and not Binance itself -- would become "the target" of U.S. authorities.

**TAI-CHI ENTITY – RISK MITIGATION**

<ul style="list-style-type: none"> <li>■ Tai-chi Entity:             <ul style="list-style-type: none"> <li>■ Defensive                 <ul style="list-style-type: none"> <li>■ Reveal, retard and resolve built-up enforcement tensions</li> <li>■ Insulate Binance from legacy and future liabilities</li> </ul> </li> <li>■ Cooperative                 <ul style="list-style-type: none"> <li>■ Apply for substantive license</li> <li>■ Regulatory inquiry clearinghouse: gratuitous sharing of commercially intensive information</li> <li>■ Thought leadership (do their homework): SRO Rulebook, Howey Risk Indices, Etc.</li> </ul> </li> </ul> </li> </ul>	<div style="background-color: black; color: white; padding: 2px; margin-bottom: 5px;"> <b>FinCEN/OFAC</b> </div> <ul style="list-style-type: none"> <li>■ Designate the US entity as MSB Agent for low-risk technical compliance with the BSA</li> <li>■ Participate in Department of Homeland Security Cornerstone program to avoid NS-related enforcement</li> <li>■ Participate in BSA 314(a) program to establish direct communication with FinCEN/OFAC</li> </ul> <div style="background-color: black; color: white; padding: 2px; margin-bottom: 5px;"> <b>SEC</b> </div> <ul style="list-style-type: none"> <li>■ Reduce attractiveness of enforcement</li> <li>■ List only coins only and restrict US persons' access to the main Binance site (strategic treatment of VPN use at Binance to minimize economic impact)</li> <li>■ Adopt an Asset-Evaluation Framework (even just for publicity) to show Howey test sophistication</li> </ul> <div style="background-color: black; color: white; padding: 2px; margin-bottom: 5px;"> <b>CFTC</b> </div> <ul style="list-style-type: none"> <li>■ Adopt a FINRA/NFA like Rulebook</li> <li>■ Engage an anti-manipulation vendor</li> </ul> <div style="background-color: black; color: white; padding: 2px; margin-bottom: 5px;"> <b>States (New York)</b> </div> <ul style="list-style-type: none"> <li>■ Reduce attractiveness of enforcement</li> <li>■ Geofencing off New York (strategic treatment of VPN use at Binance to minimize economic impact)</li> <li>■ Unlock New York market through a federal license</li> </ul>
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A slide from the Tai Chi proposal for Binance's entry into the United States

Binance CEO Zhao's personal assistant arranged a video call with Harry Zhou and the group of Binance executives in early November 2018. During the call, Zhou presented the proposal to the CEO, who okayed it because he did not want to lose Binance's U.S. customer base, two people present said.

Around a week later, Binance's chief financial officer at the time, Wei Zhou, messaged executives to say "we have started planning" on setting up the Tai Chi entity in the coming weeks. He told the executives it was important to win "hearts and minds" in the United States with a public relations strategy focused on a "compliant message."

As they moved forward with the plan, Harry Zhou said in a mid-November message that the future U.S. operation would have to "carefully preserve technical separation from Binance to avoid admitting it is a de facto subsidiary." Earnings from the U.S. business could be sent to the main exchange in the form of licence and service fees without threatening the legal separation of the two entities, he wrote.

The following month, CEO Zhao asked a lobbyist in Washington to meet CFO Wei Zhou to discuss the plans. Todd White, managing partner of Rulon & White Governance Strategies, told Wei Zhou that a U.S.-based exchange would have to comply with anti-money laundering requirements. But the finance chief only wanted to talk about how fast Binance could grow in the United States, White recalled in an interview with Reuters.

After the meeting, White sent a letter to Zhao to caution him about Binance's apparent lack of concern for U.S. financial crime laws. "Listen to both sides and you will be enlightened, heed only one side and you will be benighted," White wrote, citing an ancient Chinese proverb.

Wei Zhou, who left Binance last year, did not respond to requests for comment.

## "On a silver plate"

In early 2019, the Tai Chi plan began falling into place.

In February, a company called BAM Trading Services was incorporated in Delaware, using the same San Francisco address as Harry Zhou's crypto trading company. BAM registered with the Treasury as a money-service business in June 2019, just as Binance said it was banning U.S.-based users from its main exchange.

Days later, Binance unveiled a "partnership" with BAM Trading, saying BAM would license Binance's name and trading technology to launch the Binance.US exchange. Zhao said Binance.US, led by BAM, would "serve the U.S. market in full regulatory compliance" and be a "fully independent entity."

BAM was ultimately owned by Zhao, however, regulatory filings show. Its first chief executive, Catherine Coley, reported to the Binance.US board, chaired by Zhao. Binance's Cayman Islands holding company kept custody of Binance.US customers' digital wallets, according to a 2019 company financial report. And a company organogram showed Binance.US as part of the Binance group.

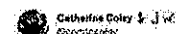
In a July 2019 message to employees announcing Coley's hiring, Binance's strategy chief, Gin Chao, told them to avoid publicising the true extent of the new CEO's connections to Binance. "A reminder to everyone that Coley is a Partner to Binance as far as external partners are concerned," he wrote. "Internally, of course, she is a valued team member."

Neither Chao, who now sits on Binance.US's board, nor Coley responded to requests for comment.

Despite the ban on U.S. users, Binance was aware that traders there continued to use the main platform, messages show. That August, a senior employee told a colleague in a message that the compliance department had privately told them that the exchange was, in practice, not banning U.S. users. In forum posts and online guides, Binance users said they could get around the ban by accessing the exchange via virtual private networks.

CEO Zhao, meanwhile, had been concerned about U.S. authorities gaining access to the main exchange's internal records. When an employee in May asked in the company chat group if they could use Slack to communicate, Zhao said the California-based messenger app "will give our data to any US agency on a silver plate." A Slack spokesperson said it only complies with valid legal requests.

Under Coley, Binance.US wooed Americans with the promise of low trading fees. But unlike with the main Binance exchange, all U.S. customers had to submit identifying documentation to open accounts, lengthening the sign-up process. Until August 2021 the main Binance



It takes a team effort! Thank you @cz for bringing us all together in #Singapore for the first @EventBinance, for @JamesRadecki32 for feeding us an amazing chilli crab dinner, and for @arrington for the photography skills. Let's do this!



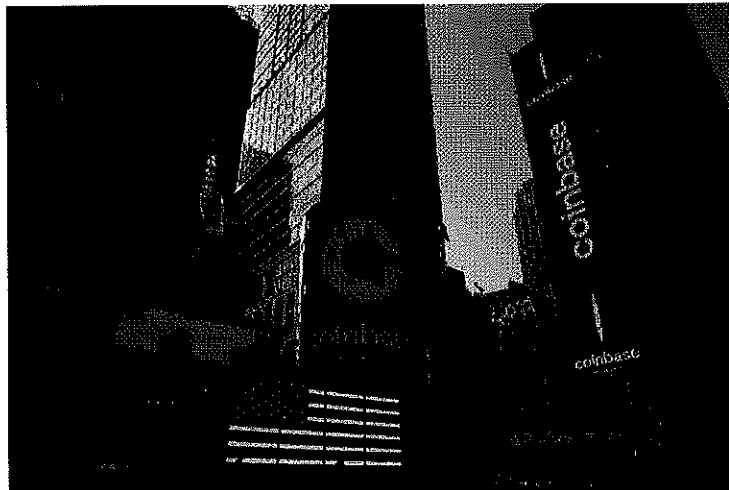
1:19 PM · Jan 21, 2019 · Twitter for iPhone

Former Binance.US boss Catherine Coley and Changpeng Zhao in Singapore, 2019. Picture from Twitter



exchange let users open accounts and trade crypto anonymously by merely providing an email address. Users must now submit ID documents.

During Binance.US's first year, Zhao grew frustrated with the slow pace of its growth and pushed Coley to onboard clients faster, according to three people who worked with her. Zhao, they said, was eager to gain market share from rival exchange Coinbase, the dominant player in the U.S. market.



Coinbase is the biggest cryptocurrency exchange in the United States. Above, its logo is displayed in Times Square, New York. REUTERS/Shannon Stapleton

Coley wouldn't lower her compliance standards to meet Zhao's demands, the people said. In an April 2020 interview with *Forbes*, she said she would never "compromise our policies on that front to allow more people in."

In December 2020, the Justice Department's money laundering section sent its letter to Binance. As Reuters reported last month, the department requested any communications involving 12 executives including Zhao and Coley, as well as adviser Harry Zhou, related to the establishment of Binance.US and the recruitment of U.S.-based customers. The department sought any company records on the Tai Chi entity, along with instructions employees communicate via encrypted messaging services. That month, the SEC also issued a subpoena to BAM, addressed to Coley, requiring it to hand over documents showing what services Binance was providing the U.S. company.

Reuters could not establish how Binance or BAM responded.

Coley left suddenly four months later. Three people familiar with her exit said it followed regular clashes with Zhao. She has not made any public statements since leaving.

Her replacement, Brian Brooks, a former top U.S. banking regulator, lasted only three months. He wanted to distance Zhao from Binance.US, telling an interviewer he planned to add new U.S. board members and take charge of its software development. He also sought to beef up the compliance team by hiring experienced staff. After Zhao rejected his proposals, he quit, four people familiar with his exit said.

In an August 2021 tweet, Brooks blamed "differences over strategic direction."

Just the beginning

Next, last October, Binance.US appointed a new chief executive, Brian Shroder, whose brother, Matt, already worked for the main exchange as head of its global expansion operations team.

Both Shroders previously worked at Uber Technologies, where they helped drive the ride-hailing company's dramatic rise. Some six of Brian Shroder's former Uber colleagues joined to fill senior Binance.US positions.

One target of the new boss was the compliance department, which early this year numbered some 20 people. Shroder and his deputies ordered the department to sign up users as quickly and seamlessly as possible, four people who worked there said. The executives also told the department to apply more lenient checks when opening accounts for "VIP customers" -- non-American traders who had been referred to Binance.US by the main exchange to boost liquidity there.

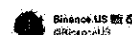
The new set-up compromised the Binance.US compliance officers' duty to assess users for possible criminal activity, the four people said, as they were under pressure to not turn customers away. The compliance team also struggled to obtain customer data and documentation on Binance.US's anti-money laundering policies. They often had to request the information from the main exchange, whose developers in Shanghai still managed the U.S. site.

On one occasion, a senior compliance officer told Shroder the team was lacking the resources to properly verify customers, the person recalled. In response, the person said that Shroder cursed and yelled at them, dismissing their concerns. As tensions with Shroder mounted in his first six months as boss, the employee quit, as did some 10 other compliance team members.

In response to Reuters, the Binance.US spokesperson said, "Over the past year, Binance.US has only accelerated its investments in its compliance program, substantially increasing both headcount and budget." Shroder "strengthened our compliance program by upgrading the talent on our teams." The exchange has robust know your customer and anti-money laundering controls on a "par with the nation's leading financial institutions," the spokesperson added.

This spring, the crypto market collapsed. Zhao projected confidence that the slump would help Binance consolidate its dominance of the crypto industry. "Everyone who lasts, who survives, will be stronger," he told an interviewer in June. By mid-year, Binance controlled about 60% of global crypto markets, data from researcher CryptoCompare shows.

The Justice Department investigation rolled on. Agents interviewed former Binance employees about their work there on topics including its compliance checks, according to a person with direct knowledge of the probe. Then, in June, Reuters reported that criminals used Binance to launder illicit funds.



Congrats on securing the seed round @BrianShroder

Learn more: [blog.binance.us/binance-us-rai...](https://blog.binance.us/binance-us-rai...)



1/22 • Binance and Brian Shroder

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Binance.US CEO Brian Shroder. Shroder previously helped drive Uber Technologies' dramatic rise. Picture from Twitter

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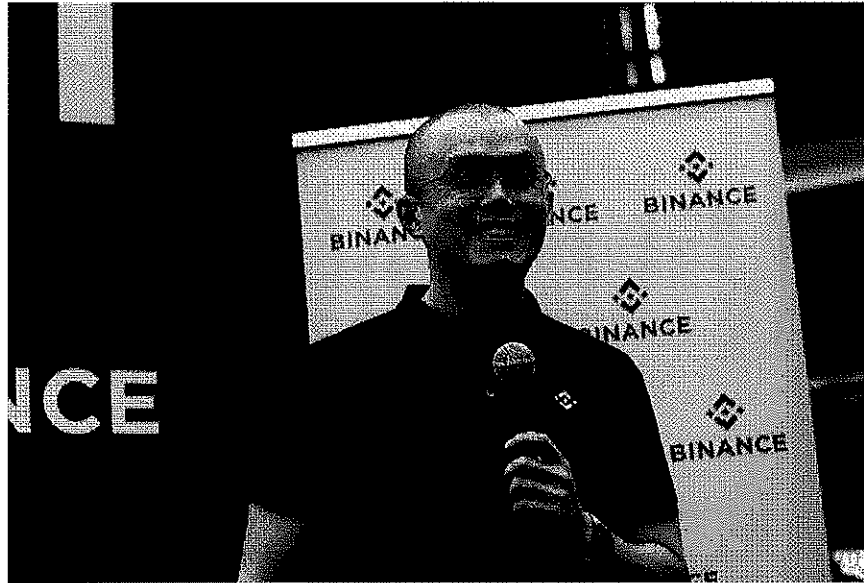
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Zhao went on social media the next day, decrying “frivolous external attacks.” On Twitter, where Zhao has seven million followers, he “liked” mocked-up images created by supporters depicting him alternatively as Superman and a Spartan warrior.

In July, Binance celebrated its fifth anniversary with a party in a Parisian botanical garden. Zhao took the stage to rapturous cheers from fans who jostled to take photos of him. “People love you,” a Binance host told the CEO.

Deflecting an audience question about when crypto will be fully regulated, Zhao prepared to cut a birthday cake iced in Binance’s black and yellow colours. His strategy, he told the crowd, was to “keep our head down” and build for the market’s next boom cycle.

“We are just at the very, very beginning,” he said.



Changpeng Zhao, founder and chief executive officer of Binance, in Paris earlier this year. REUTERS/Denis Tossier

Additional reporting by Echo Wang in New York

#### Shadow Dance

By Tom Wilson and Angus Berwick



Graphics: Aditi Bhandari

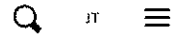
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## Crypto exchange Binance helped Iranian firms trade \$8 billion despite sanctions

By Angus Berwick and Tom Wilson

November 7, 2022 9:08 AM EST · Updated a year ago



[1/4] Representations of cryptocurrency Binance are seen in front of displayed Iran flag in this illustration taken November 3, 2022.  
 REUTERS/Dado Ruvic/Illustration [Acquire Licensing Rights](#)



### Summary Companies

\$7.8 bln of trades were via Iran's biggest crypto exchange Nobitex

Revelations come amid U.S. Justice Department probe into Binance

Binance says is not a U.S. company, but has taken proactive steps to limit exposure to the Iranian marketplace

LONDON, Nov 4 (Reuters) - Crypto giant Binance has processed Iranian transactions with a value of \$8 billion since 2018 despite U.S. sanctions intended to cut Iran off from the global financial system, blockchain data show.

Almost all the funds, some \$7.8 billion, flowed between Binance and Iran's largest crypto exchange, Nobitex, according to a review of data from leading U.S. blockchain researcher Chainalysis. Nobitex offers guidance on its [website](#) on how to skirt sanctions.

Three-quarters of the Iranian funds that passed through Binance were in a relatively low-profile cryptocurrency called Tron that gives users an option to conceal their identities. In a blog post last year, Nobitex encouraged clients to use Tron - a mid-tier token - to trade anonymously without "endangering assets due to sanctions."

The scale of Binance's Iranian crypto flows - and the fact that they are continuing - has not been previously reported.

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The new findings come as the U.S. Justice Department is pursuing an investigation into possible violations of money-laundering rules by Binance, which dominates the \$1 trillion crypto industry, with over 120 million users. The transactions put the company at risk of falling afoul of U.S. prohibitions on doing business with Iran, lawyers and trade-sanctions experts said.

In July, [Reuters revealed](#) that Binance continued to serve clients in Iran and that the exchange's popularity in the Islamic republic was known inside the company. It was one of a series of Reuters investigations into Binance's troubled history with financial regulatory compliance. The day of that article's publication, Binance said in a blog post that it follows international sanctions rules on Iran and blocks access to the platform to anyone based there. The exchange's billionaire founder, Changpeng Zhao, tweeted: "Binance banned Iranian users after sanctions, 7 got missed/found a workaround, they were banned later anyways."

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Binance didn't answer detailed questions about the new transactions uncovered by Reuters. In a statement, spokesperson Patrick Hillmann said, "Binance.com is not a U.S. company, unlike other platforms that have exposure to these same U.S. sanctioned entities. However, we have taken proactive steps to limit our exposure to the Iranian marketplace," working with industry partners and internal tools.

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Binance declines to give details of the location or the entity behind its Binance.com exchange.

Nobitex didn't respond to questions for this article. Nor did the Tron Network, based in the British Virgin Islands, and its founder Justin Sun.

In August 2021, Binance announced that customers would no longer be able to open accounts and use its services without identification. But since then, the exchange has processed almost \$1.05 billion in trades directly from Nobitex and other Iranian exchanges, according to the Chainalysis data, which runs to November of this year. Since Zhao's tweet in July, Binance has processed around \$80 million in Iranian trades.

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Hillmann said in the Binance statement that the company requires full "Know Your Customer" checks for all users "and residents of Iran are prohibited from opening or maintaining an account. We are continually updating processes and technology as we learn about new risks and potential exposures. As a result of these efforts, including real-time transaction monitoring in coordination with external vendors, between June of 2021 and November of 2022, Binance's exposure to Iranian-linked entities has seen an exponential decline."

The data reviewed by Reuters show that in total some \$2.95 billion in crypto moved directly between Iranian exchanges and Binance since 2018.

A further \$5 billion in crypto moved between Iranian exchanges and Binance through layers of intermediaries, the data also reveal. Regulators say such "indirect" flows should be a red flag to crypto exchanges - an indicator of possible money laundering and sanctions evasion. Crypto users seeking to cover their tracks often use sophisticated techniques to create complex chains of crypto transfers.

Nobitex advises its 4 million customers on its website to avoid "the direct transfer" of crypto between Iranian and foreign crypto platforms to "maintain security."

Binance spokesperson Hillmann told Reuters in June, in relation to the exchange's indirect exposure to illicit funds, that "what's important to note is not where the funds come from - as crypto deposits cannot be blocked - but what we do after the funds are deposited." He said Binance uses transaction monitoring and risk assessments to "ensure that any illegal funds are tracked, frozen, recovered and/or returned to their rightful owner."

In addition to the Tron token, the remainder of the Iranian transactions were in major cryptocurrencies bitcoin, ether, tether and XRP, and a smaller token, litecoin.

Binance is the biggest market for trading Tron, according to industry data. Some other major exchanges, including U.S.-regulated Coinbase and Gemini, do not list the token.

Until recently, Tron has largely flown under the radar of cryptocurrency trackers. Market leader Chainalysis, used by U.S. government agencies, only began fully supporting the tracing of Tron this May, according to an email Chainalysis sent to a client.

The Tron dataset details over 1.15 million direct transfers between Binance and Nobitex since April 2020, when the first Tron flows were recorded. The data include wallet addresses and a unique identification number for each transaction.

Reuters obtained the Tron figures, along with further datasets covering the other crypto tokens, from three firms with access to Chainalysis' Reactor investigation software. Reuters cross-checked each company's figures. A fourth firm also confirmed some of the figures on direct transfers based on a separate dataset compiled using different software.

Reuters is making available [here](#) the data for direct transactions since August 20, 2021, amounting to around \$1 billion.

The total volume of Iranian transactions flowing through Binance is far greater than through any other exchange, the data show. After Binance, the next most popular exchange for Nobitex users since 2018 was Seychelles-based KuCoin, which processed \$820 million in direct and indirect transactions.

KuCoin and six other Iranian exchanges in the dataset—CoinNik Market, Iranicard, Rabex, Wallex, Sarmayex and Tether Land—did not respond to requests for comment.

Reuters Graphics Reuters Graphics

## SANCTIONS RISK

Binance has grown explosively since its launch in 2017. The company extended its reach from crypto last month by investing \$500 million in Tesla boss Elon Musk's buyout of Twitter.

The main focus of the U.S. Justice Department investigation is whether Binance violated U.S. anti-money laundering laws. As part of the case, ongoing since 2018, the department is also investigating Binance for possible criminal sanctions violations in connection with Iran, three people with knowledge of the probe said. In late 2020, the department sought records from Binance on its compliance programme, including any documents related to the transfer of crypto funds for people or entities in countries including Iran.

The Justice Department declined to comment.

The U.S. government reimposed sanctions in 2018 on Iran that had been suspended three years earlier as part of Iran's nuclear deal with world powers. The West and the United Nations have targeted Tehran since 1979 with sanctions over its nuclear programme, along with alleged human rights violations and support for terrorism.

Six lawyers and sanctions experts said the Iranian transactions documented by Reuters put Binance at risk of U.S. "secondary" sanctions, designed to prevent non-U.S. firms from doing business with sanctioned entities or helping Iranians evade the American trade embargo. Secondary sanctions can choke off a company's access to the U.S. financial system.

Binance could also be exposed to direct "primary" sanctions if the company has what the U.S. Treasury Department calls a "nexus to the United States," the lawyers and experts said. Such links can include any U.S.-incorporated entities, or transactions processed through the U.S. financial system or using the dollar, they said. Treasury didn't respond to a request for comment.

In 2019, Britain's Standard Chartered agreed to pay almost \$930 million to U.S. authorities for criminal sanctions violations that included moving around \$240 million via U.S. financial institutions for Iranian customers. Standard Chartered accepted responsibility for the violations. French bank BNP Paribas in 2014 agreed to plead guilty to violating U.S. sanctions on countries including Iran and to pay \$8.9 billion. Both banks committed to improving their controls.

Binance says it does not accept customers in the United States. American clients are instead directed to a separate exchange called Binance.US, run by a U.S. company which since 2019 has been registered with the Treasury as a money-service business.

Binance CEO Zhao has described Binance.US as a "fully independent entity." Reuters reported in October that he in fact controlled the U.S. exchange and directed its management from abroad. A Binance adviser, in a message to executives in 2018, described the U.S. operation as a "de facto subsidiary."

In a blog post after that article, Zhao reaffirmed that Binance.US "operates independently from Binance.com."

The vast majority of the \$8 billion in Iranian crypto transactions identified by Reuters involved the main Binance exchange. But Binance.US also processed crypto transactions worth \$1.5 million from Iranian exchanges Nobitex, Wallex and Tether Land, the Chainalysis data show.

U.S. entities that violate the Iran sanctions can face criminal fines of up to \$1 million per violation. People involved can face jail terms of up to 20 years. This October, the Treasury fined Seattle-based crypto exchange Bittrex \$24 million for violating sanctions on Iran and other countries by processing crypto transactions worth over \$260 million. Bittrex said at the time it was "pleased to have fully resolved" the matter.

Contacted for this article, a Binance.US spokesperson said Reuters' figures for its transactions with the Iranian exchanges were not accurate and that including "direct as well as indirect transactional data from Chainalysis both conflates and inflates the volume you cite." The spokesperson didn't provide an alternative figure.

Binance.US "adheres to all applicable U.S. rules governing digital asset exchanges" and only permits trading by entities that have completed a "rigorous screening process," the spokesperson said.

Nobitex and the other Iranian crypto exchanges haven't been sanctioned by the United States. Reuters did not find evidence that sanctioned Iranian individuals, companies or organisations used Binance or Binance.US.

Reuters Graphics Reuters Graphics

## "THE BEST OPTION"

Nobitex, the largest Iranian exchange, launched in 2017. Its co-founder and CEO, Amirhosein Rad, did a doctorate in philosophy and chemical engineering at Iran's Sharif University of Technology, his LinkedIn profile shows. Rad didn't comment for this article.

Nobitex's aim, stated on its LinkedIn page earlier this year, is to allow Iranians to invest in crypto despite "the shadow of sanctions." As sanctions have hit Iran's ability to do business with the outside world, crypto has grown popular there for cross-border commerce. The exchange said it serves as a "safe bridge between 3.5 million Iranians and the world of cryptocurrencies."

Nobitex said in its 2021 annual report that it processes 70% of Iranian crypto transactions. The exchange has recommended that its clients use Binance in multiple posts on its website and social media channels, as recently as this year.

Nobitex users began moving bitcoin through Binance in April 2018, the Chainalysis data show.

In a trading guide on Nobitex's website, first published in 2019 and updated this October, Nobitex advised users to open accounts to convert their Iranian rials into crypto and then make transfers to a foreign exchange such as Binance, which it called the "most reliable." Subsequent posts in 2020 said that "for us Iranians, Binance is still the best option" and that Binance "causes fewer problems for Iranian users."

Noting the risk posed by U.S. sanctions, Nobitex's public terms of use recommend customers avoid the "direct transfer" of crypto from Nobitex to Binance and instead create multiple digital wallets to move funds in separate stages.

The volume of Tron transactions between Nobitex and Binance surged from August 2020, the Chainalysis data showed.

That same month, Tron's founder, Sun, said on Twitter the digital coin had enabled a new feature that allowed traders to mask their identities. Sun wrote that the feature, known as zk-SNARK, would "protect user data with the strongest privacy protection in the industry."

An article published in a Justice Department journal last year said the feature allows the development of "anonymity enhanced cryptocurrencies" that attract criminals "like sharks to chum" as they "seek out privacy to conceal their conduct."

Nobitex recommended that users open digital wallets with Binance to buy Tron due to its "high security." A Nobitex blog post in July 2021 said zk-SNARK was key to keeping those sending and receiving crypto "hidden."

Nobitex customers remained able to use Binance to trade Tron and other crypto tokens after Binance tightened its checks on clients on August 20, 2021, according to the data. Binance processed direct transactions from Nobitex totalling over \$1 billion between that date and November of this year, far outstripping any other international exchange, it showed. As recently as this October, \$20 million in Tron flowed directly between Binance and Nobitex, the data show.

Iranians sanctioned by the U.S. Treasury for cyberattacks and ransomware activity have used Nobitex, a Chainalysis report in September said. Between 2015 and 2022, the digital wallets of sanctioned Iranians received over \$230,000 in bitcoin ransomware funds, Chainalysis said, with most of the crypto sent to Nobitex.

The Treasury said the same month that the sanctioned Iranians were all affiliated with the Islamic Revolutionary Guard Corps, a powerful faction that controls a business empire as well as elite armed and intelligence forces in Iran. Iranian authorities did not respond to a request for comment. The Iranian Foreign Ministry has called U.S. sanctions "unilateral, illegal and cruel."

((reporting by Angus Berwick and Tom Wilson; additional reporting by Michelle Nichols at the United Nations and Bozorgmehr Sharafedin in London; editing by Janet McBride))

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Future of Money

## Binance's books are a black box, filings show, as it tries to rally confidence

By Tom Wilson, Angus Berwick and Elizabeth Howcroft

December 19, 2022 3:35 PM EST · Updated 10 months ago



[1/4] Changpeng Zhao, founder and CEO of Binance, attends the Viva Technology conference dedicated to innovation and startups at Porte de Versailles exhibition center in Paris, France June 16, 2022. ... [Acquire Licensing Rights](#) [Read more](#)



LONDON, Dec 19 (Reuters) - The world's biggest crypto exchange, Binance, is battling to shore up confidence after a surge in customer withdrawals and a steep drop in the value of its digital token.

The exchange said it dealt with net outflows of around \$6 billion over 72 hours last week "without breaking stride" because its finances are solid and "we take our responsibility as a custodian seriously." After the collapse of rival exchange FTX last month, Binance's founder Changpeng Zhao promised his company would "lead by example" in embracing transparency.

Yet a Reuters analysis of Binance's corporate filings shows that the core of the business – the giant Binance.com exchange that has processed trades worth over \$22 trillion this year – remains mostly hidden from public view.

Binance declines to say where Binance.com is based. It doesn't disclose basic financial information such as revenue, profit and cash reserves. The company has its own crypto coin, but doesn't reveal what role it plays on its balance sheet. It lends customers money against their crypto assets and lets them trade on margin, with borrowed funds. But it doesn't detail how big those bets are, how exposed Binance is to that risk, or the full extent of its reserves to finance withdrawals.

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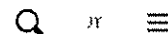
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Binance is not required to publish detailed financial statements because it is not a public company, unlike U.S. rival Coinbase, which is listed on the Nasdaq. Nor has Binance raised outside capital since 2018, industry data show, which means it hasn't had to share financial information with external investors since then.

And as Reuters reported in October, Binance has actively avoided oversight. Zhao approved a plan by lieutenants to "insulate" Binance's main operation from U.S. regulatory scrutiny by setting up a new American exchange, according to company messages and interviews with former employees, advisers and business associates. Zhao denied signing off on the plan and said the unit was set up with advice from top law firms.

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Feedback

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Binance's huge role in the crypto market – it accounts for over half of all trading volume – has made its operations a keen topic of interest for U.S. regulators. The company is under investigation by the U.S. Justice Department for possible money-laundering and sanctions violations, and Reuters reported this month that some prosecutors believe they have gathered sufficient evidence to charge Binance and some top executives.

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In an effort to look inside Binance's books, Reuters reviewed filings by Binance units in 14 jurisdictions where the exchange on its [website](#) says it has "regulatory licenses, registrations, authorisations and approvals." These locations include several European Union states, Dubai and Canada. Zhao has described the authorisations as milestones in Binance's "journey to being fully licensed and regulated around the world."

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The filings show that these units appear to have submitted scant information about Binance's business to authorities. The public filings do not show, for example, how much money flows between the units and the main Binance.com exchange. The Reuters analysis also found that several of the units appear to have little activity.

Former regulators and ex-Binance executives say these local businesses serve as window dressing for the main unregulated exchange.

"They are co-opting the nomenclature of regulation to create a veneer of legitimacy," said John Reed Stark, a former chief of the U.S. Securities and Exchange Commission's Office of Internet Enforcement. Stark said Binance's operations were more opaque even than those of FTX. "There is absolutely no transparency, no sunlight, no confirmation of any kind about its financial position."

Binance Chief Strategy Officer Patrick Hillmann said the Reuters analysis of the units' filings in the 14 jurisdictions was "categorically false." "The amount of corporate and financial information that has to be disclosed to regulators in those markets is immense, often requiring a six-month-long disclosure process," he said. "We are a private company and are not required to publicize our corporate finances," he continued, comparing the exchange to privately-held firms such as U.S. candy maker Mars. In a statement, Mars said it was "absurd" to compare its corporate governance and financial reporting requirements with Binance's, adding that its goods and services are "highly regulated."

Hillmann also noted that FTX's founder stands accused by U.S. authorities of fraud. If those allegations are true, he said, "it would have been fraud regardless of what regulations were in place."

#### PIECES OF A JIGSAW

Binance's surge in outflows last week was attributed by analysts to concern over how crypto exchanges hold user funds and the Reuters report on the DOJ investigation. The exchange also halted withdrawals of some crypto tokens. On Friday, Binance's attempts to reassure investors were set back when an accounting firm it hired to verify its reserves suspended all work for crypto firms.

There are glimpses of Binance's finances in public comments by Zhao, past company statements, blockchain data and venture capital deals.

Binance has said it has over 120 million users. Its trading volumes totalled \$34 trillion in 2021, Zhao said in June. He told an interviewer last month that "90-something percent" of Binance's revenues depend on crypto trading. The company is profitable and has "fairly large cash reserves," he added. Binance has made over 150 venture investments totalling \$1.9 billion since 2018, according to PitchBook data. Zhao also created a \$1 billion fund to invest in struggling crypto companies after the fall of FTX.

Reliable estimates of Binance's trading-dependent revenues are scarce, however, despite the public availability of trading volume data.

Binance charges fees of up to 0.1% on spot trades, with a more complex fee structure for derivatives. On spot trading volume of \$4.6 trillion in the year to October, Binance may have earned revenue of up to \$4.6 billion, Reuters calculated, based on data from researcher CryptoCompare. Charging fees of up to 0.04% on its derivatives volumes of \$16 trillion, Binance may have earned revenues of up to \$6.4 billion.

John Todaro, a senior analyst covering crypto and blockchain firms at U.S. investment bank and asset manager Needham & Company, and Joseph Edwards, an independent investment consultant, said the Reuters calculations appeared to be in the right range. Binance's promotions such as zero-fee trading and other discounts may mean the revenues were lower, Edwards said. A third crypto analyst who declined to be named also agreed with the figures.

Binance's Hillmann did not comment on the Reuters estimates. "The vast majority of our revenue is made on transaction fees," he said, adding that the exchange has been able to "accumulate large corporate reserves" by keeping expenses down. Binance's "capital structure is debt free" and the company keeps its money made from fees separate from the assets it buys and holds for users, Hillmann said.

Binance allows users to deposit collateral in the form of crypto and borrow funds to leverage the value of their derivatives trades by as much as 125 times. For the user, this can lead to huge gains or huge losses. Hillmann said Binance backs all user deposits for derivatives and spot trading with its own reserves at a ratio of one to one – meaning deposits should be secure and easy to withdraw. Binance, he said, has strict liquidation protocols that sell off users' positions if their losses exceed their collateral's value. If users' positions become negative "due to extreme market volatility," Binance has "very-well capitalized" insurance funds to cover the deficit, he said. Hillmann did not provide specifics and Reuters could not independently verify all of his statements.

Asked about the scale of any losses at the exchange this year, Hillmann said: "Binance's risk department manages what is one of the industry's most risk-averse programs. This protects our users and our platform."

The guarding of Binance's financial information by Zhao, a Canadian citizen who was born and raised in China, echoes the strict culture of secrecy he has enforced throughout his company's rise, the Reuters report in October showed. The article was one of a series of reports this year by the news agency on Binance's financial compliance and relationship with regulators across the world.

Even Binance's former chief financial officer, Wei Zhou, did not have access to the company's full accounts during his three-year tenure, according to two people who worked with him. Zhou, who left last year, did not respond to requests for comment.

Reuters Graphics

#### "FULL TRANSPARENCY"

Zhao and other executives have consistently declined to publicly identify which entity controls the main exchange. But in a private court submission filed in 2020 in an arbitration case in the Cayman Islands, Chief Compliance Officer Samuel Lim said it is owned and operated by a Cayman Islands company, Binance Holdings Limited.

This year, Binance has won licenses or approvals from authorities in locations including France, Spain, Italy and Dubai. Zhao lauded these advances, saying in May that Binance's registration as a crypto service provider in Italy would allow it to operate "in full transparency." Yet none of the units registered with local regulators provide a clear window into the main Binance exchange, the Reuters analysis showed.

Reuters asked authorities in all 14 jurisdictions about their oversight of Binance's local units. Of the eight that responded, six – in Spain, New Zealand, Australia, Canada, France and Lithuania – told Reuters their role did not involve supervising the main exchange, and said the units were only required to meet local requirements on reporting suspicious transactions.

Reuters also asked representatives of the local Binance units and affiliates about their relationship with the main Binance exchange. Only one responded, a South African firm called FiveWest. Its managing director, Pierre van Helden, said Cape Town-based FiveWest receives a "minimal yearly license fee" from Binance to facilitate crypto derivatives trading for Binance's South African users.

"How Binance operates globally is unclear to us," van Helden said. He added that Zhao's company was "cooperative" on compliance and said FiveWest has regular meetings to ensure requirements are met.

In Italy, Binance's public corporate filings detail just the unit's capital base and its ownership by a separate Binance company in Ireland. The Italian company, Binance Italy S.R.L., has its listed address in a block of shops and apartments in the southern city of Lecce. It did not respond to a request for comment, nor did the Organismo Agenti e Mediatori authority with which it is registered.

Just two of the Binance units analysed by Reuters offer more substantial details in their filings.

One, a Lithuanian firm called Bifinity UAB, offers the most detailed picture. Bifinity described itself in one regulatory filing as the "official fiat-to-crypto payments provider for Binance." Fiat means dollars, euros and other traditional currencies.

Bifinity also disclosed that Binance and its companies are its "main strategic business partners." In a 2021 annual report, Bifinity reported 137 million euros (\$145 million) in net profit and assets of 816 million euros. Bifinity said it had made payments of 421 million euros to a single related party, with some 185 million euros in "related expenses," but did not specify whether this party is Binance.

Bifinity, whose annual report said it has 147 employees, does not have a website or publicly provide any contact details. The company's chief executive, Saulius Galatilis, did not respond to requests for comment. At its registered address at a business centre in Lithuania's capital Vilnius, Bifinity is not listed on the tenants' board.

The other Binance unit that offers more than barebones financial details is in Spain. It registered in July with the Spanish central bank and reported meagre revenue of some 1.5 million euros last year and a profit of just 9,000 euros. Reuters could not reach anyone from the unit, Binance Spain SL, for

comment. A reporter visited its registered address, at a co-working space in Madrid. The receptionist said a small Binance Spain team had relocated a month ago, without leaving contact details.

In the Gulf, Binance has won a license or permission this year in Abu Dhabi, Bahrain and Dubai. Zhao told Bloomberg in March that he will be based for the "foreseeable future" in Dubai. Filings by Binance's Dubai entities give no details of its financial activity or its ties to the main Binance platform.

Even for some employees inside the company, such details were unclear.

Binance didn't disclose global profit figures during its application for a license in Dubai, according to a person with direct knowledge of the application. Nearly all clients in the United Arab Emirates registered with Binance's main exchange, and until at least late summer the licensed Dubai firm was not experiencing significant trading revenues, the person said.

Reuters was not able to contact the unit, Binance FZE, registered to a WeWork office by the Dubai World Trade Centre. Binance's Middle East and North Africa head did not respond to a request for comment. Nor did Dubai's Virtual Assets Regulatory Authority.

#### "PROOF OF RESERVES"

Many crypto exchanges, including Binance competitors Huobi and OKX, operate from offshore locations such as the Seychelles – as did Bahamas-based FTX. Standards on corporate transparency and financial reporting are typically looser in such jurisdictions than in the United States.

Coinbase (COIN.O), the biggest U.S. exchange, listed on Wall Street in 2021. Like other public companies, it must file audited quarterly earnings statements and annual financial reports. In its latest earnings statement, Coinbase reported data including revenue, profit, cash holdings and trading volumes.

"It's really night and day," said Mark Palmer, head of digital assets research at U.S. financial services firm BTIG, of the difference between disclosures by a listed company and other offshore exchanges.

"Coinbase is a publicly traded company and is required to share that information with investors, whereas we are a private company and do not have public investors to whom we are beholden," Binance's Hillmann said. "The main reason to go public is to raise money, but as Binance doesn't need to raise money, there is no need to go public at this time."

A Coinbase spokesman, Elliott Suthers, said the company's financials were reviewed quarterly by Deloitte, one of the "Big Four" accounting firms, "so customers don't have to rely on our word." "We believe exchanges have a responsibility to share their financials with their customers," Suthers said. "We encourage other exchanges to take this same approach."

Some privately held exchanges reveal financial data during fundraising, as did FTX prior to its collapse. Binance, however, has not raised money from outside investors since 2018, according to data from business information provider Crunchbase. "We do not have VC investments, so we don't owe anybody any money," Zhao told CNBC on Dec. 15.

U.S. prosecutors last week charged FTX founder Sam Bankman-Fried with defrauding equity investors and customers of billions of dollars. It has emerged that money was secretly moving from FTX to Bankman-Fried's hedge fund, Alameda Research, which functioned as a market maker, a dealer that deepens liquidity by buying and selling the same assets.

Reuters could not determine if Binance or Zhao also own any market-making firms that operate on its platform. In December 2020, the SEC issued a subpoena to Binance.US, the separate American exchange, requesting it provide information about all its market makers, their owners, and their trading activity.

As part of a "commitment to transparency," Binance last month published on its website a "snapshot" of its holdings of six major tokens and promised to share a complete set of data at an unspecified future date.

Data firm Nansen said the holdings, worth around \$70 billion at the time of the Nov. 10 snapshot, had fallen to \$54.7 billion by Dec. 17 after withdrawals and price fluctuations. Two "stablecoins" that are pegged to the dollar – Binance's BUSD and market leader Tether – accounted for almost half of its holdings. Around 9% of the assets were in BNB, its in-house token which Binance itself has issued, the Nansen data showed.

BNB is the fifth-largest crypto coin in circulation with a market value of around \$40 billion, industry data show. Holders of the token receive discounts on Binance's trading fees. Zhao has said that Binance does not use BNB as collateral. Alameda used FTX's in-house FTT token as collateral when borrowing from FTX and other lenders.

After FTX's collapse, Zhao said audits of crypto exchanges were not guaranteed to prevent bankruptcies. "More audits are really good, but I'm not sure if they would prevent this particular case," he told a TechCrunch interviewer.

Zhao told a conference in April that Binance is "fully audited." Asked by the Financial Times who was auditing Binance's financial results and balance sheet, Zhao said the company had "multiple auditors in multiple places ... I don't have all of the list in my head."

He now advocates so-called "proof-of-reserves" checks on the crypto holdings of exchanges. The system is supposed to allow users to confirm that their holdings are included in checks of blockchain data and that the exchange's reserves match clients' assets.

Binance hired accounting firm Mazars to check Binance's bitcoin holdings. The firm examined the holdings as they existed at the end of one day in November. In a Dec. 7 report, Mazars found that Binance's bitcoin assets exceeded its customer bitcoin liabilities. It said the check, known as an "agreed-

upon procedures engagement," was "not an assurance engagement" in which auditors personally sign off on their attestations of accounts. Nevertheless, Zhao tweeted, "Audited proof of reserves. Transparency."

Mazars later deleted the webpage containing the report. Its communications director, Josh Voulters, said on Friday it had "paused" its proof-of-reserves checks for crypto firms "due to concerns regarding the way these reports are understood by the public." Voulters didn't respond to requests for more detail.

While this checking system offers a degree of insight into an exchange's reserves, it's no substitute for a full audit, seven analysts, lawyers and accountancy experts told Reuters.

In offering only a limited snapshot of an exchange's crypto, the system lacks safeguards, two lawyers said. Others said it could not yield the same level of detail on corporate finances as a traditional audit.

"In terms of the balance sheet from Binance, there really is no colour," said Todaro, the analyst at Needham & Company.

((reporting by Tom Wilson, Angus Berwick and Elizabeth Howcroft in London; Additional reporting by Mathieu Rosemain in Paris, Andrius Sytas in Vilnius, David Latona in Madrid, and Otzhas Auyezov in Almaty; editing by Janet McBride))

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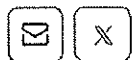
**Tom Wilson**  
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Tom covers crypto companies, regulation and markets from London, focusing through 2022 on the Binance crypto exchange. He has worked at Reuters since 2014, with a previous posting to Tokyo where he uncovered abuses in Japan's immigration system and won a joint Overseas Press Club award for reporting on the tobacco giant Philip Morris.



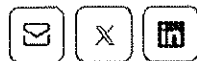
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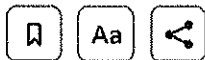
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Future of Money

## US regulator sues top crypto exchange Binance, CEO for 'willful evasion'

By Tom Wilson and Angus Berwick

March 28, 2023 4:00 AM EDT · Updated 7 months ago



### Summary Companies

CFTC charges Binance with 'willful evasion' of federal law

Binance's compliance was 'ineffective' under CEO - CFTC

CFTC cites practices first reported by Reuters last year

March 27 (Reuters) - The world's biggest crypto exchange Binance and its CEO and founder Changpeng Zhao were sued by the U.S. Commodity Futures Trading Commission (CFTC) on Monday for operating what the regulator alleged were an "illegal" exchange and a "sham" compliance program.

The CFTC sued Binance, Zhao and its former top compliance executive with "willful evasion" of U.S. law, "while engaging in a calculated strategy of regulatory arbitrage to their commercial benefit."



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Zhao, a billionaire who was born in China and moved to Canada at the age of 12, called CFTC's complaint as "unexpected and disappointing."

"Upon an initial review, the complaint appears to contain an incomplete recitation of facts, and we do not agree with the characterization of many of the issues alleged in the complaint," Zhao said in a [statement](#).

The lawsuit comes amid a broader and increasingly high-profile crackdown on crypto companies. For years, U.S. prosecutors and civil investigators have targeted crypto firms for illegal offerings and failures to comply with rules designed to prevent illicit activity. But the pace of such government activity has surged recently.

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The CFTC said in its complaint on Monday that from at least July 2019 to the present, [Binance](#) "offered and executed commodity derivatives transactions on behalf of U.S. persons" in violation of U.S. laws.

Binance's compliance program has been "ineffective" and the firm, under the direction of Zhao, told employees and customers to circumvent compliance controls, the CFTC said, citing a number of practices first reported by Reuters in a [series of investigations](#) into the exchange last year.

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The CFTC also accused Binance's former Chief Compliance Officer Samuel Lim of "aiding and abetting" Binance's violations. Lim did not immediately respond to calls and messages from Reuters.

A spokesperson for Binance, which [dominates](#) the global digital asset sector, said the firm will continue to "collaborate" with regulators.

Binance has made "significant investments" to ensure it does not have U.S. users on its platform, the spokesperson said.

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CFTC Chairman Rostin Behnam said in a statement that Binance executives knew for years "they were violating CFTC rules, working actively to both keep the money flowing and avoid compliance."

The CFTC is responsible for oversight of commodities and derivatives markets, including for Bitcoin. Firms such as brokers that facilitate U.S. customers' trading of such products are required to register with the agency.

Reuters reported in December that the U.S. Justice Department had been investigating Binance since 2018 for possible money-laundering and sanctions violations. Binance has processed at least \$10 billion in payments for criminals and companies seeking to evade U.S. sanctions, Reuters has found.



Zhao Changpeng, founder and chief executive officer of Binance, at the Viva Technology conference in Paris, France June 16, 2022. REUTERS/Benoit Tessier [Acquire Licensing Rights](#)

Binance's cryptocurrency BNB, the world's fourth largest by market size, dropped around 4% on the news.

In a tweet on Monday afternoon, Zhao wrote "4" - a reference to a previous post listing his "Do's and Don'ts" for 2023. The fourth item on the list was "Ignore FUD, fake news, attacks," using an acronym for "fear, uncertainty and doubt" often used in crypto in relation to news perceived as negative.

'PIRATE SHIP'

Founded in Shanghai in 2017, Binance sits at the heart of the global crypto industry. Its core Binance.com exchange processed trades worth about \$23 trillion last year, according to data provider CryptoCompare. Trading volumes hit \$34 trillion in 2021, Zhao said last year.

With a holding company based in the Cayman Islands, Binance has never revealed the location of its core exchange. The CFTC charged the holding company and two other Binance units.

Binance did not require customers to submit information verifying their identity before trading and "failed to implement basic compliance procedures designed to prevent and detect terrorist financing and money laundering," the CFTC said.

The CFTC's complaint detailed Binance's efforts to retain U.S. customers even after the company, in partnership with a purportedly independent American firm, launched a U.S. exchange in 2019 to serve American customers in compliance with U.S. regulations.

Reuters previously reported that this American firm, BAM Trading, was in fact controlled by Zhao and managed by Binance as a de-facto subsidiary. The CFTC said when Zhao hired BAM's first CEO, he "described Binance as a pirate ship and explained that he wished for Binance.US to be a navy boat."

## VIP CUSTOMERS

Though Binance's global business publicly said it was restricting U.S. customers from trading on its platform, the CFTC said Binance told its commercially valuable U.S.-based "VIP customers" how to evade its compliance controls.

Zhao kept information reflecting Binance's U.S. customer base secret from some senior managers, CFTC said. In October 2020, Zhao directed Binance personnel to replace the U.S. value for some data fields in Binance's internal database with "UNKWN", it said.

Binance traded on its own platform through some 300 "house accounts," directly or indirectly owned by Zhao, though the exchange had not disclosed this activity in its public terms of use or elsewhere, according to CFTC. The house accounts were exempt from Binance's "Insider trading" policy, the CFTC said.

A top Binance executive told the Wall Street Journal in February that the company expected to pay penalties to resolve the U.S. investigations.

The CFTC said it is seeking monetary penalties, disgorgement of ill-gotten gains and permanent trading and registration bans.

Reporting by Tom Wilson in London, Chris Prentice in Washington and Jalveer Singh Shekhawat in Bengaluru; Additional reporting by Maria Ponnezhath; Editing by Shinjini Ganguli, Alun John, Marguerita Choy and Richard Chang

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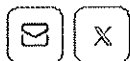
Tom Wilson  
Thomson Reuters

Tom covers crypto companies, regulation and markets from London, focusing through 2022 on the Binance crypto exchange. He has worked at Reuters since 2014, with a previous posting to Tokyo where he uncovered abuses in Japan's immigration system and won a joint Overseas Press Club award for reporting on the tobacco giant Philip Morris.



Angus Berwick  
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Award-winning investigative reporter based in London, focused on financial enterprise journalism. He was previously a correspondent in Spain and Venezuela, where he reported on the Maduro government's efforts to retain power. He was Reuters' Reporter of the Year in 2019 and has won two Overseas Press Club awards.



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Middle East

## Exclusive: Israel seized Binance crypto accounts to 'thwart' Islamic State, document shows

By Tom Wilson and Angus Berwick

May 5, 2023 4:59 AM EDT · Updated 6 months ago



Feedback

Smartphone with displayed Binance logo and representation of cryptocurrencies are placed on keyboard in this illustration taken, November 8, 2022. REUTERS/Dado Ruvic/Illustration/File Photo [Acquire Licensing Rights](#)

LONDON, May 4 (Reuters) - Israel has seized around 190 crypto accounts at crypto exchange Binance since 2021, including two it said were linked to Islamic State and dozens of others it said were owned by Palestinian firms connected to the Islamist Hamas group, documents released by the country's counter-terror authorities show.

Israel's National Bureau for Counter Terror Financing (NBCTF) on Jan. 12 confiscated two Binance accounts and their contents, one of the documents on the NBCTF's website showed. The seizure was to "thwart the activity" of Islamic State and "impair its ability to further its goals," the NBCTF said on its website.

The NBCTF document, which has not been previously reported, did not give any details on the value of the crypto seized, nor how the accounts were connected to Islamic State.

Binance, the world's largest crypto exchange by trading volumes, did not respond to Reuters' calls and emails seeking comment before this article was published on Thursday.

In a [blog post](#) after its publication, Binance said that Reuters was "deliberately leaving out critical facts".

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The exchange has been "working closely with international counter-terrorism authorities" on the seizures, Binance said. "With regard to the specific organizations mentioned in the article, it's important to clarify that bad actors don't register accounts under the names of their criminal enterprises," it said.

Israel's defence ministry, which is responsible for the NBCTF, did not respond to Reuters requests for comment.

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Under Israeli law, the country's defence minister can order the seizure and confiscation of assets that the ministry deems related to terrorism.

Regulators globally have long called for tighter controls on crypto exchanges to prevent illegal activities, from money laundering to the financing of terrorism. The seizures by Israel's NBCTF highlight how governments are targeting crypto companies in their efforts to prevent illegal activity.

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Binance, founded in 2017 by CEO Changpeng Zhao, says on its website it reviews information requests from governments and law enforcement agencies on a case-by-case basis, disclosing information as legally required.

Binance has also said it checks users for connections to terrorism and has "continued to invest tremendous resources to enhance its compliance program," it told U.S. senators in March in response to their requests for information on Binance's regulatory compliance and finances.

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The exchange's policies and processes comply with European Union anti-money laundering and counter terrorism-financing requirements, Binance said in its blog on Thursday.

#### MILITANT GROUP

Islamic State emerged in Syria after Iraq's civil war. At its 2014 peak, it controlled a third of Iraq and Syria, before being beaten back. Now forced underground, Islamic State militants continue to wage insurgent attacks.

The U.S. Treasury said in a report last year that Islamic State had received crypto donations it later converted to cash, accessing funds via crypto trading platforms. The Treasury did not specify which platforms and declined to comment for this article.

The owner of the two Islamic State-linked Binance accounts seized by Israel was a 28-year old Palestinian called Osama Abuobayda, the NBCTF document shows. Abuoyada did not respond to requests for comment via email addresses and a phone number listed in the NBCTF document.

In a series of investigations last year, Reuters reported that Binance intentionally kept weak anti-money laundering controls. Since 2017, Binance has processed over \$10 billion in payments for criminals and companies seeking to evade U.S. sanctions, Reuters reported. Binance disputed the articles, calling the illicit-fund calculations inaccurate and the descriptions of its compliance controls "outdated."

Two men suspected by Germany of assisting an Islamist gunman who killed four people in Vienna in 2020 used Binance, a letter from German police to the company said. Islamic State later claimed responsibility for the attack.

Binance shared information with the police on the clients, its legal representatives said last year. Reuters could not independently establish this.

#### MONEY EXCHANGERS

Nearly all of the 189 Binance accounts seized by Israel since Dec. 2021 were owned by three Palestinian currency exchange firms, the NBCTF documents showed.

The three are designated by Israel as "terrorist organizations," according to a list on the NBCTF's website, for their alleged involvement in the transfer of funds by Hamas, which runs the Palestinian territory of Gaza.

Last month, the NBCTF said in a document it had seized crypto worth over 500,000 shekels (\$137,870) from over 80 Binance accounts belonging to the three Gaza-based companies, Al Muthadun For Exchange, Dubai Company for Exchange and Al Wefaq Co. For Exchange.

The accounts were the property of "terrorist organizations" or used for a "severe terror crime," the document said, without elaborating. Local media outlets in Israel previously reported the April seizures.

A person with direct knowledge of Al Mutahadun said it did not work "at all" with crypto or cooperate with Hamas. "We are a money exchange company. Israeli allegations are all lies and are baseless," the person said.

Al Mutahadun was designated as a "terrorist organization" in May 2021 by Israel, the NBCTF list shows.

Al Wefaq and Dubai Co. did not respond to Reuters' requests for comment via email and WhatsApp.

Binance did not respond to Reuters' questions on the accounts owned by the three currency exchange companies.

In its blog post, Binance said it works with law enforcement and "leverages information that is only available to them in order to identify individuals operating accounts for illicit organizations."

Hamas does not have any connection with the money exchange companies, spokesperson Hazem Qassem said. The allegations of links to the companies were an attempt by Israel to "justify its economic war against Gaza and its people," Qassem said.

Hamas's armed wing said last week it would stop receiving funds in bitcoin after an increase in "hostile" activity against donors.

Binance, its CEO Zhao and its former compliance chief Samuel Lim are facing civil charges from the U.S. Commodity Futures Trading Commission (CFTC) for "wilful evasion" of U.S. commodities laws.

Zhao has called the charges an "incomplete recitation of the facts."

In its complaint, the CFTC said Lim received information in 2019 on Hamas' transactions at Binance. Lim told a colleague that "terrorists" usually send small sums of funds, as "large sums constitute money laundering," according to the CFTC complaint.

Lim has not publicly responded to the charges. He did not respond to messages sent via Telegram seeking comment for this article.

(\$1 = 3.6266 shekels)

Reporting by Tom Wilson and Angus Berwick in London; additional reporting by Nidal al-Mughrabi in Gaza. Editing by Elisa Martinuzzi and Jane Merriman

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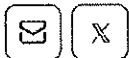
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## 'They're opportunistic and adaptive': How Hamas is using cryptocurrency to raise funds

By [Scott Glover](#), [Curt Devine](#), [Majlie de Puy Kamp](#) and [Scott Bronstein](#), CNN

Updated 10:54 PM EDT, Thu October 12, 2023



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(CNN) — Iran has loomed large as one of Hamas' most generous financial backers, providing the militant group crucial resources

CNN — It has become large as one of Hamas' most generous financial backers, providing the militant group critical resources it needs to carry out acts of terrorism. But investigators in the US and across the globe have identified another revenue source being exploited by Hamas: Far-flung online donors offering support in cryptocurrency.

Even before Hamas launched a surprise attack on Israel over the weekend, Justice Department officials in Washington, D.C. had been pursuing a criminal investigation into the militant group's use of cryptocurrency through alleged money launderers, CNN has learned.

Justice Department lawyers have released scant details of its money laundering case — with most of the court filings sealed — but those that are public reveal it stems from Hamas-linked cryptocurrency accounts the US government seized three years ago. A court filing in May said the case was “ongoing” and a judge halted proceedings in a related civil matter until next month to allow the criminal case to continue without interference.



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Separately, cryptocurrency addresses that Israel has seized for alleged links to Hamas and another Palestinian militant group have collectively been worth tens of millions of dollars, according to private analysts who spoke to CNN.

Hamas' use of digital currency represents just one of the many ways the group — designated a terrorist organization by the United States and European Union — has sought to raise funds while evading sanctions.

“There’s not one financing method for Hamas or other terrorist organizations. They’re opportunistic and adaptive,” said former CIA analyst Yaya Fanusie, now an adjunct senior fellow with the Center for a New American Security. “Efforts to stop them are a constant game of cat-and-mouse.”

Still, some calls for donations have appeared in plain sight.

Hamas and other terrorist groups have used Facebook and X, formerly known as Twitter, to publicly post their crypto wallet addresses and tell people how to donate, according to a report released this year by the Department of Homeland Security.

Charges filed against a New Jersey man in 2019 described how he posted on Instagram that he “just donated \$100 to Hamas.” The man, also accused of sending about \$20 in bitcoin to the group, later pleaded guilty to concealing his attempts to provide material support to Hamas.

As governments have sought to police such transactions, Hamas' military wing — al-Qassam Brigades — announced in April that it would stop fundraising in bitcoin to protect its donors, Reuters reported.



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But Hamas has apparently not stopped such efforts altogether. On Tuesday, Israeli authorities announced the freezing of additional cryptocurrency accounts that the group had allegedly used to collect donations during this week's conflict.

And aside from bitcoin, crypto wallets that Israeli authorities have said are linked to Hamas have included the cryptocurrencies Ether, XRP, Tether and others, according to an Israeli government order.

It's unclear how much money Hamas has received in cryptocurrency, but there's evidence they have amassed significant amounts. According to Dmitry Machikhin, the CEO of crypto analytics software BitOK, cryptocurrency addresses linked to Hamas and seized by Israeli authorities received nearly \$41 million between 2020 and 2023, as first reported by the Wall Street Journal. Another \$94 million was allegedly held by the Palestinian Islamic Jihad, a militant partner of Hamas, according to Elliptic, another analytics firm. The company noted, however, that it was unclear what portion of those assets directly belonged to the group.

Hamas and its al-Qassam Brigades, are among the “most successful initiators of cryptoasset-based fundraising to date in terms of amount raised,” Arda Akartuna, a researcher with Elliptic, told CNN.

**CNN** Akartuna noted that tracking cryptocurrency linked to al-Qassam Brigades has been complicated by the group's reliance on "one-time-use" crypto addresses that are generated for each individual donor, and illicit money exchanges that anonymously convert cryptocurrency to cash without records. **RELATED** 

"Criminals are always going to look for the next best alternative to continue their activities," said Akartuna, explaining how new ways to raise funds pop up as enforcement actions shut down others.

A major benefactor for Hamas is Iran, which has provided up to \$100 million annually to Palestinian terrorist groups, including Hamas and Palestine Islamic Jihad, according to a US State Department report from 2021. That report noted that Hamas has raised funds in other Gulf Arab countries and from its own charity organizations.

Disclosures from the US Treasury Department have outlined the way in which Hamas has at times received Iranian funds through financiers based in Turkey and Lebanon. For example, a Lebanon-based financial operative functioned as a "middle man" between Iran's Islamic Revolutionary Guard Corps and Hamas and worked with the Lebanese group Hezbollah to ensure funds were transferred, according to a 2019 Treasury report.



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Separately, the US Treasury sanctioned nine targets in 2018 for what the department described as involvement in a network through which Iran used Russian companies to provide oil to Syria in exchange for Syria sending funding to Iran's Islamic Revolutionary Guard Corps that was then sent to Hamas and Hezbollah.

Iran has used various tactics to fund terrorist groups including Hamas, such as networks of shell companies, transactions masked by senior officials and the use of precious metals to evade sanctions, a 2018 US Treasury advisory stated.

Tehran has both commended Hamas' recent incursion in Israel and denied involvement.

White House National Security Adviser Jake Sullivan said Tuesday that Iran "is complicit in a broad sense because they have provided the lion's share of the funding for the military wing of Hamas" as well as other support. Sullivan added that no information currently suggests Iran helped plan or direct the attack.

Hamas additionally raises funds through informal taxes and smuggling, according to a Congressional Research Service report from May.

CNN attempted to reach Hamas representatives for a response to the allegations but received no reply.

Government investigators aren't the only ones tracking Hamas' finances.

Attorney Asher Perlin, who represents the family of Yitzhak Weinstock, a 19-year-old American who was murdered by Hamas terrorists outside Jerusalem in 1993, has also kept tabs on the group's assets.

The Weinstock family obtained a legal judgment of nearly \$80 million against Hamas in 2019 but had few conceivable paths to collect on that sum.

That changed in Perlin's mind after the US Justice Department announced what officials described in 2020 as an unprecedented crackdown on three groups that relied on "cryptocurrency and social media to garner attention and raise funds for their terror campaigns." Among them was Hamas' al-Qassam Brigades.

Investigators were able to seize 150 cryptocurrency accounts "that laundered funds to and from" Hamas accounts, according to a DOJ news release.

With court approval, law enforcement officials surreptitiously took control of Hamas fundraising websites, and donors who thought they were contributing to the terrorist organization were actually making deposits in bitcoin wallets controlled by the US government.

At the time, prosecutors filed paperwork asking a judge to issue a forfeiture order granting them legal ownership of what they



had seized.

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Perlin saw the government's pending forfeiture case as an opportunity to collect the money his clients in the Weinstock family were owed.

But since filing a claim two years ago, Perlin said the case has been repeatedly delayed as government lawyers have asked the judge for more time to allow a related criminal investigation to proceed.

In May, the judge noted that the criminal investigation was for "alleged money laundering" for Hamas and issued a six month stay on proceedings in the forfeiture case. That stay is set to expire next month.

In a telephone interview from Israel, Perlin expressed frustration that the Justice Department has indicated to him that it will oppose allocating any of the forfeited assets to his clients.

The Justice Department did not immediately respond to a request for comment.

Perlin said the Weinstocks were the only people he is aware of who are trying collect on a judgment against Hamas.

"There's no reason they shouldn't be able to enforce their judgment against those assets," he said.

CNN's Sean Lyngaas and Yahya Abou-Ghazala contributed to this report.

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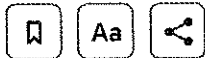
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Middle East

## Who funds Hamas? A global network of crypto, cash and charities

By Hadeel Al Sayegh, John O'Donnell and Elizabeth Howcroft

October 16, 2023 5:12 AM EDT · Updated 17 days ago



[1/2] Palestinian workers work in a Qatari-funded construction project in the southern Gaza Strip June 7, 2017. REUTERS/Ibraheem Abu Mustafa/File Photo [Acquire Licensing Rights](#)



LONDON/DUBAI, Oct 13 (Reuters) - Palestinian militant group Hamas uses a global financing network to funnel support from charities and friendly nations, passing cash through Gaza tunnels or using cryptocurrencies to bypass international sanctions, according to experts and officials.

However, Hamas, which governs the Gaza Strip, will face even more obstacles accessing funds after the rampage by the group's gunmen that killed hundreds of Israelis, mainly civilians. Israel has responded with the heaviest bombardment of Gaza in 75 years of conflict.

Earlier this week, Israeli police said they froze a Barclays bank account the authorities said was linked to Hamas fundraising and blocked cryptocurrency accounts used to gather donations, without specifying how many accounts or the value of the assets.

The move provided a glimpse of a complex financial web, some legitimate, much hidden, that underpins Hamas, or the Islamic Resistance Movement, and its government in the Gaza Strip, which it has run since 2007.

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Matthew Levitt, a former U.S. official specialised in counterterrorism, estimated the bulk of Hamas' budget of more than \$300 million came from taxes on business, as well as from countries including Iran and Qatar or charities.

Last February, the State Department said that Hamas raises funds in other Gulf countries and gets donations from Palestinians, other expatriates and its own charities.

Reuters was unable to reach Hamas officials for comment for this story. In the past, Hamas has said financial restrictions placed on its donors were an attempt to neutralise legitimate resistance against Israel.

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Hamas, sanctioned as a terrorist organization by the United States and countries such as Britain, had increasingly used cryptocurrencies, credit cards or contrived trade deals to avoid mounting international restrictions, Levitt said.

"Hamas has been one of the more successful users of crypto for the financing of terrorism," said Tom Robinson, co-founder of blockchain research firm Elliptic.

However, this year Hamas said it would back away from crypto, after a spate of losses. Cryptocurrency's ledger system can make such transactions traceable.

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Blockchain researchers TRM Labs said this week in a research note that crypto fundraising has previously increased following rounds of violence involving Hamas. After fighting in May 2021, Hamas-controlled crypto addresses received more than \$400,000, TRM Labs said.

However, since last weekend's violence, prominent Hamas-linked support groups had moved just a few thousands dollars through crypto, TRM noted.

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"One likely reason for the low donation volume is that Israeli authorities are targeting them immediately," TRM said, adding that Israel had seized cryptocurrency worth "tens of millions of dollars" from Hamas-linked addresses in recent years.

Between Dec. 2021 and April this year, Israel seized almost 190 crypto accounts it said were linked to Hamas.

#### SHIPS AND SHELLS

Whether through crypto or other means, Hamas' allies have found ways to get money to Gaza. The U.S. State Department has said that Iran provides up to \$100 million annually in support to Palestinian groups including Hamas, and has cited methods of moving the money through shell companies, shipping transactions and precious metals.

Iranian authorities did not immediately respond to a request for comment.

By last year, Hamas had established a secret network of companies managing \$500 million of investments in companies from Turkey to Saudi Arabia, the U.S. Treasury has said, announcing sanctions on the firms in May, 2022.

Israel has long accused Iran's clerical rulers of stoking violence by supplying arms to Hamas. Tehran, which does not recognise Israel, says it gives moral and financial support to the group.

Backing the Palestinian cause has been a pillar of the Islamic Republic since the 1979 revolution and a way for the country to fashion itself as a leader of the Muslim world.

Gas-rich Qatar too has paid hundreds of millions of dollars to Gaza since 2014, at one point spending \$30 million per month to help operate the enclave's sole power plant and to support needy families and public servants in the Hamas-run government.

"Qatari aid provides 100 dollars to the poorest Palestinian families and extends the period of electricity during a day in Gaza," a Qatari official said in response to a request for government comment, adding that it had helped "maintain stability and quality of life for ... Palestinian families".

Qatar walks a foreign policy tightrope, hosting the region's largest U.S. military base, the Taliban and other groups, often allowing it to mediate.

#### CASH RULES

Qatar's funding for Gaza actually passes through Israel, a source familiar with the process said.

The funds are transferred electronically from Qatar to Israel. Israeli and U.N. officials hand-carry cash over the border to Gaza.

The cash is distributed directly to needy families and public servants in Gaza and each family or individual must sign next to their name that they've received the cash. One copy of that sheet goes to Israel, one goes to the UN and one goes to Qatar.

"Qatari aid to the Gaza Strip is fully coordinated with Israel, the UN and the U.S.," the Qatari government official said.

In recent years, Qatar bought fuel from Israel for Gaza's sole power station. It also sent Egyptian fuel that Hamas can resell, using the proceeds for salaries.

Stephen Reimer of the think tank, Royal United Services Institute, predicted fresh attempts to fully restrict the group's access to formal financial channels would have limited success. "Their financing tactics have grown to circumvent these."

Additional reporting by Saeed Azhar in New York, Sinead Cruise, Tom Wilson and Tommy Wilkes in London, Andrew Mills in Doha and Parisa Hafezi in Dubai, writing by John O'Donnell; Editing by Frank Jack Daniel

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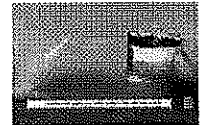
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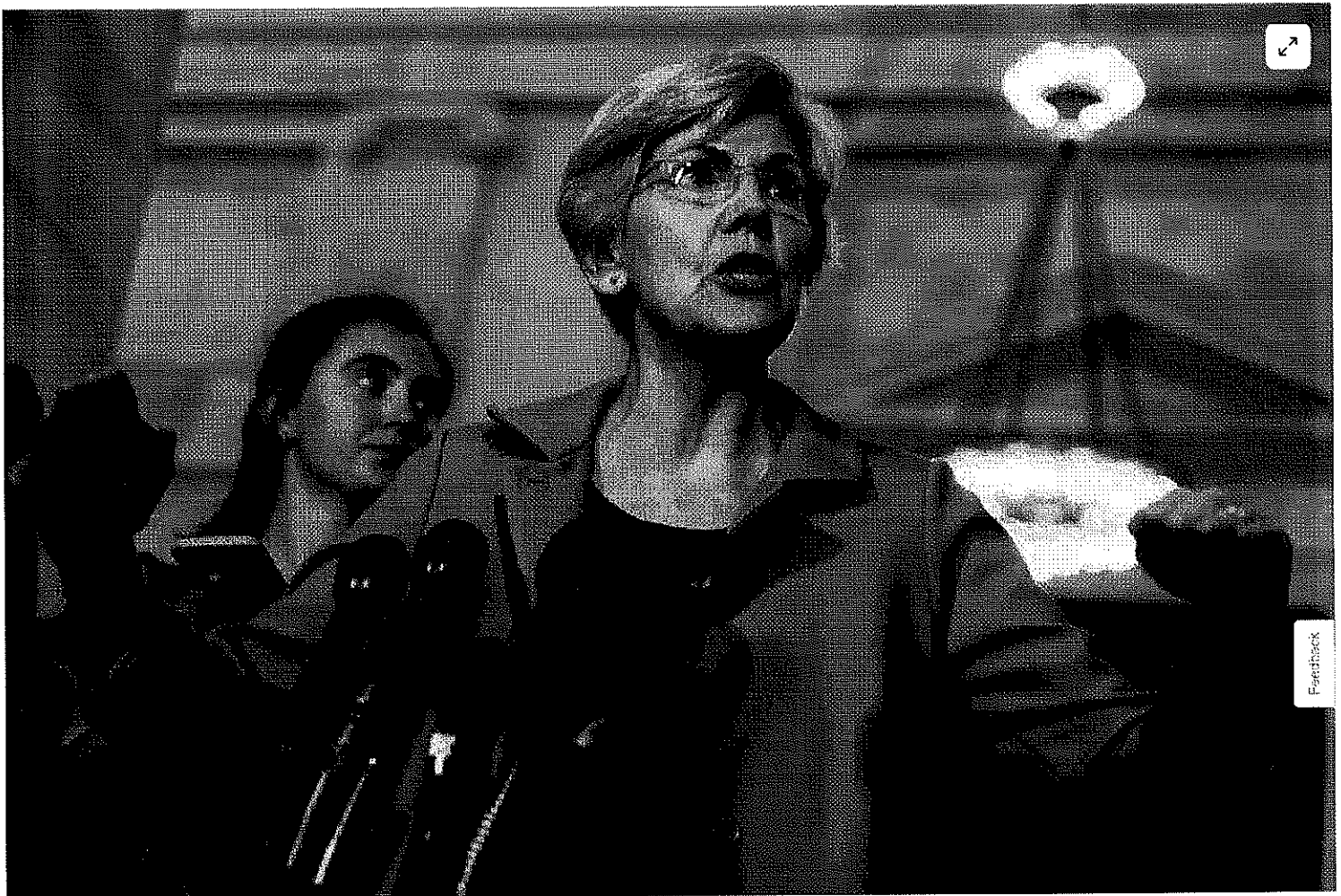
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United States

## US lawmakers urge White House crack down on Hamas use of crypto after Israel attack

By Hannah Lang

October 18, 2023 2:34 PM EDT · Updated 14 days ago



[1/2] U.S. Senator Elizabeth Warren (D-MA) faces reporters during a break in a bipartisan Artificial Intelligence (AI) Insight Forum for all U.S. senators at the U.S. Capitol in Washington, U.S..... [Acquire Licensing Rights](#) Read more



Oct 18 (Reuters) - A bipartisan group of U.S. lawmakers is urging the Biden administration to swiftly crack down on the use of cryptocurrencies by Hamas and its affiliates following the Palestinian militant group's deadly attack in Israel earlier this month.

A letter sent on Tuesday to the U.S. Treasury Department and the White House from 105 lawmakers led by Senators Elizabeth Warren, Roger Marshall and Representative Sean Casten, expressed "grave concern" that Hamas and an affiliated group called Palestinian Islamic Jihad were using digital assets to fund their operations and evade U.S. sanctions.

"Congress and this administration must take strong action to thoroughly address crypto illicit finance risks before it can be used to finance another tragedy," the letter said.

The Biden administration on Wednesday issued sanctions aimed at disrupting Hamas' funding, singling out what it said was "a secret Hamas investment portfolio," a financial facilitator tied to Iran and a Gaza-based cryptocurrency exchange.

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"We will continue to take all steps necessary to deny Hamas terrorists the ability to raise and use funds to carry out atrocities and terrorize the people of Israel," said Treasury Secretary Janet Yellen in a statement.

Israeli police on Oct. 10 said it had frozen several crypto accounts that were used to solicit donations for Hamas. Reuters reported in May that Israel had seized around 190 crypto accounts at crypto exchange Binance since 2021, including dozens it said were owned by Palestinian firms connected to Hamas.

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Binance said the exchange had been "working closely with international counter-terrorism authorities" on the seizures.

From its inception, the cryptocurrency community touted digital assets as vehicles for anonymous transactions, and a slew of federal enforcement actions for fraud, money laundering and unregistered coin offerings has put the industry in the spotlight.

Hamas uses a global financing network to funnel support from charities and friendly nations, including by using cryptocurrencies, Reuters reported on Monday.

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Israeli authorities have seized “tens of millions of dollars” in crypto from Hamas-linked addresses in recent years, according to blockchain researchers TRM Labs.

The lawmakers requested that the Biden administration provide estimates on the value of crypto assets that remain in Hamas-controlled wallets, how much of Hamas’ operations are funded through crypto, and any information it has on the actors facilitating the sending of crypto to and from Hamas and other militant groups.

Reporting by Hannah Lang in Washington; editing by Michelle Price and Bill Berkrot

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Hannah Lang  
Thomson Reuters

Hannah Lang covers financial technology and cryptocurrency, including the businesses that drive the industry and policy developments that govern the sector. Hannah previously worked at American Banker where she covered bank regulation and the Federal Reserve. She graduated from the University of Maryland, College Park and lives in Washington, DC.



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World

## US sanctions seek to disrupt Hamas' revenue, US Treasury says

By Susan Heavey and Elizabeth Howcroft

October 18, 2023 4:25 PM EDT · Updated 14 days ago



[1/2] A bronze seal for the Department of the Treasury is shown at the U.S. Treasury building in Washington, U.S., January 20, 2023.

REUTERS/Kevin Lamarque/File Photo [Acquire Licensing Rights](#)



WASHINGTON/LONDON, Oct 18 (Reuters) - The United States issued sanctions on Wednesday aimed at disrupting funding for the Hamas militant group after its deadly attack in Israel, singling out people involved in its investment portfolio and a Gaza-based cryptocurrency exchange among other targets.

The sanctions, announced as President Joe Biden [visited Israel](#) in a show of support, targeted nine individuals and one entity in Gaza, Sudan, Turkey, Algeria and Qatar, the Treasury Department said in a statement.

The action followed Hamas' Oct. 7 rampage that killed 1,400 people in Israel. More than 3,000 Palestinians have been killed in retaliatory bombing, Gaza health authorities say.

"The United States is taking swift and decisive action to target Hamas's financiers and facilitators following its brutal and unconscionable massacre of Israeli civilians, including children," said Treasury Secretary Janet Yellen.

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"We will continue to take all steps necessary to deny Hamas terrorists the ability to raise and use funds to carry out atrocities and terrorize the people of Israel," Yellen added.

#### CRYPTO BUSINESS

The sanctions target six individuals associated with Hamas' secret investment portfolio, building on the Treasury's imposition of sanctions in 2022 on officials and companies that manage the international portfolio.

The sanctions included a Gaza-based crypto business, called "Buy Cash Money and Money Transfer Company" (Buy Cash), which provides money transfer and virtual currency exchange services, including the cryptocurrency bitcoin, the Treasury statement said.

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The firm has also been used by other terror groups to transfer funds, Treasury said.

Blockchain research firm Elliptic said that crypto wallets controlled by "Buy Cash Money and Money Transfer Company" have received more than \$25 million in cryptocurrencies since 2015.

In response to an emailed request for comment, Buy Cash said that it is a "licensed international company", without giving details on which authority granted its license. The company also said that it "did not receive \$25 million in the wallet, but the change in the price of Bitcoin increases the value."

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A crypto wallet belonging to Buy Cash was among a number of crypto wallets seized by Israel's National Bureau for Counter Terrorist Financing in June 2021, according to the Treasury's statement.

Earlier on Tuesday, 105 U.S. lawmakers sent a letter to the U.S. Treasury Department and the White House expressing "grave concern" that Hamas and an affiliated group called Palestinian Islamic Jihad were using digital assets to fund their operations and evade U.S. sanctions.

Reporting by Susan Heavey and Doina Chiacu in Washington and Elizabeth Howcroft in London; editing by Doina Chiacu, Rod Nickel and Deepa Babington

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